The Fiscal Monitor

A Publication of the Department of Finance

Highlights

January 2004: budgetary surplus of $346 million

There was a budgetary surplus of $346 million in January 2004, up $257 million from the restated surplus of $89 million in January 2003. On a year-over-year basis, budgetary revenues were up $284 million, while program expenses were up $171 million. Public debt charges were $144 million lower.

April 2003 to January 2004: budgetary surplus of $5.5 billion

The budgetary surplus is estimated at $5.5 billion for the April 2003 to January 2004 period, down $1.7 billion from the surplus of $7.2 billion reported in the same period of 2002–03. On a year-over-year basis, budgetary revenues were up $2.9 billion or 2.0 per cent, due primarily to the strength of personal and corporate income taxes, offset to some extent by lower excise taxes and duties. The overall weakness in revenue growth this year reflects the economic impacts of a number of domestic shocks that hit the Canadian economy in 2003. Program expenses were up $6.0 billion, or 5.7 per cent, primarily due to new spending initiatives announced in recent budgets and higher operating costs. Public debt charges were down $1.5 billion, or 4.8 per cent, reflecting lower interest rates.

January 2004: budgetary results

The January 2004 budgetary surplus of $346 million was up $257 million from the $89-million surplus reported in January 2003, as higher income taxes and lower public debt charges more than offset declines in other revenue sources and higher program expenses.

On a year-over-year basis, budgetary revenues, at $14.6 billion, were up $0.3 billion, or 2.0 per cent.

- Personal income tax revenues were up $0.2 billion or 3.4 per cent, primarily reflecting growth in source deductions due to growth in employment and personal income.
- Corporate income tax revenues increased by $0.3 billion, or 17.4 per cent, to $1.9 billion due to an increase in gross receipts.
- Excise taxes and duties decreased by $0.2 billion, or 6.2 per cent, with all components lower. Goods and services tax (GST) revenues declined $0.1 billion, or 5.6 per cent. Although refunds were down sharply, gross receipts were also down for both domestic sales and imported goods as a result of the weakness in retail sales in December. Customs import duties were down 19.3 per cent, while sales and excise taxes were down 3.3 per cent.
- Employment insurance (EI) premiums were down 2.2 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were up $0.1 billion or 13.2 per cent. This category of revenues is quite volatile on a monthly basis.

On a year-over-year basis, program expenses in January 2004, at $11.3 billion, were $0.2 billion, or 1.5 per cent, higher than in January 2003. Transfer payments were 0.5 per cent higher while other program expenses were up 3.8 per cent.

Transfer payments were up 0.5 per cent, on a year-over-year basis, as increases in transfers to persons and other levels of government were largely offset by declines in subsidies and other transfers.

- Major transfers to persons, consisting of elderly and EI benefits, were up 3.3 per cent. Elderly benefits increased 4.0 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefit payments were up 2.3 per cent, primarily reflecting an increase in average benefits.
- Major transfers to other levels of government, consisting of the Canada Health and Social Transfer (CHST), fiscal transfers and Alternative Payments for Standing Programs, were up 9.2 per cent. The year-over-year increase is primarily attributable to higher CHST cash transfers, reflecting the February 2003 agreement reached by first ministers to increase funding from $18.6 billion in 2002–03 to $20.3 billion in 2003–04. Fiscal transfers, which consist of equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program, were up 7.4 per cent. Equalization entitlements, the largest component of fiscal transfers, are based on the official estimates as of September 2003. The February 2004 results will reflect the recently revised estimates for 2003–04.
- Subsidies and other transfers decreased $0.3 billion, or 14.2 per cent, led by decreases in agricultural subsidies, transfers to Aboriginals and industrial and regional development transfers. The year-over-year decline primarily reflects the timing of payments.

Other program expenses consist of operating expenses for departments and agencies, including defence and Crown corporations. On a year-over-year basis, these expenses were up 3.8 per cent, as increases in defence spending and all other departmental and agency expenses more than offset a decline in overall transfers to Crown corporations.

Public debt charges were down 4.6 per cent, primarily reflecting a decline in the average effective interest rate on interest-bearing debt.

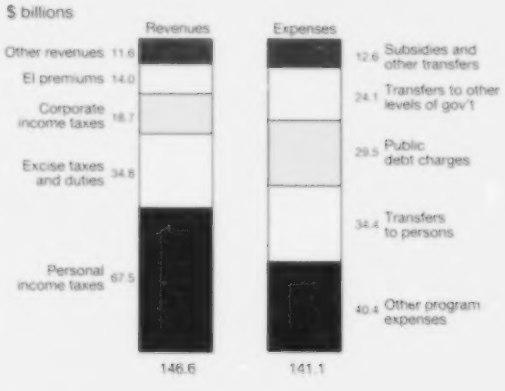
April 2003 to January 2004: budgetary results

In the first 10 months of the 2003–04 fiscal year, there was a budgetary surplus of $5.5 billion—a year-over-year deterioration of $1.7 billion from the surplus of $7.2 billion reported in the same period of 2002–03. The lower surplus reflects the impact on revenues of the weakness in economic activity due to a series of shocks that have hit the Canadian economy and the impact of spending initiatives and tax reductions announced in previous budgets.

On a year-over-year basis, budgetary revenues, at $146.6 billion, were up $2.9 billion, or 2.0 per cent.

- Personal income tax revenues were up $1.1 billion, or 1.6 per cent, due to higher tax remittances from employment income, as employment, and therefore the number of Canadians paying taxes, was up over last year. This was dampened by the impact of tax reduction measures announced in previous budgets. In addition, the growth is personal income tax revenues was affected by moderate growth in personal income. Personal income advanced 2.7 per cent in 2003, down from 3.3 per cent in 2002, reflecting the impact of the shocks that hit the Canadian economy in 2003. On balance, the growth in personal income taxes to date is in line with the growth in personal income, adjusted for the impact of the tax reduction measures announced in previous budgets.

Revenues and expenses
(April 2003 to January 2004)



- Corporate income taxes increased $3.7 billion, or 24.8 per cent, due to the strong increase in corporate profits in 2003 and lower refunds. Corporate profits advanced 10.1 per cent in 2003, up from an increase of 4.3 per cent in 2002.
- Excise taxes and duties were down $1.4 billion. On a year-over-year basis, GST revenues fell 5.6 per cent, reflecting declines in gross GST receipts from imports and weakness in gross receipts from domestic sales. In addition, rebates are up strongly, reflecting strong growth in residential construction and increased spending in the municipal, university and hospital sector. Sales and excise taxes were up 3.2 per cent, while customs import duties were down 9.7 per cent, reflecting lower imports subject to import duties.
- EI premiums were down 3.5 per cent, as the reduction in premium rates more than offset the impact of the increase in the number of people employed.
- Other revenues were up 0.4 per cent.

On a year-over-year basis, program expenses in the April 2003 to January 2004 period were up $6.0 billion, or 5.7 per cent, over the same period of 2002–03.

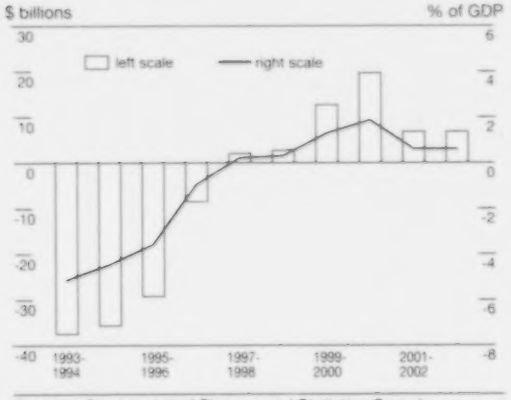
Transfer payments increased by $3.9 billion, or 5.8 per cent.

- Major transfers to persons were up $1.4 billion, or 4.3 per cent. Elderly benefits increased 4.9 per cent, while EI benefits were up 3.4 per cent due to a rise in the number of beneficiaries and an increase in average weekly benefits.
- Major transfers to other levels of government increased by $1.4 billion, or 6.1 per cent, primarily reflecting higher entitlements under the CHST program.
- Subsidies and other transfers increased by $1.1 billion, or 9.4 per cent, primarily reflecting the impact of budget measures and increased assistance to farmers.

Other program expenses increased by $2.1 billion, or 5.6 per cent, with all components higher. The increases in Crown corporation expenses, defence and all other departmental and agency program expenses are primarily due to the impact of increased operating costs as well as policy initiatives announced in previous budgets.

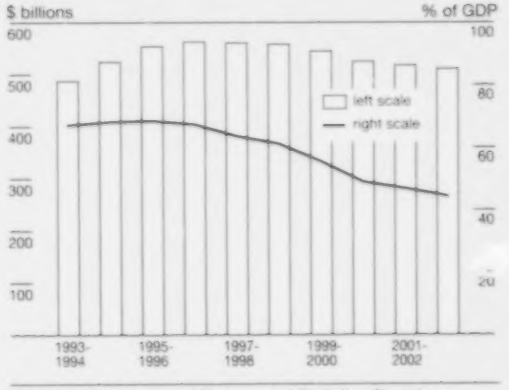
Public debt charges were down 4.8 per cent, primarily reflecting a decline in the average effective interest rate on interest-bearing debt.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Financial requirement of $3.1 billion for April 2003 to January 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $8.7 billion in the first 10 months of 2003–04, up $0.3 billion from the requirement in the same period of 2002–03. Accounts payable, receivables, accruals and allowances increased by $2 billion, primarily reflecting cash transfers to the trust funds established in the 2003 budget for the CHST cash supplement ($2.5 billion) and the Diagnostic/Medical Equipment Fund ($1.5 billion). The liability for these trust funds was established in 2002–03 and affected the budgetary balance in that year. However, the cash payments to these trusts affect non-budgetary transactions and financial requirements this year. The overall impact of these payments on non-budgetary transactions was partially offset by an increase in net funds from foreign exchange activities.

With a budgetary surplus of $5.5 billion and a net requirement of $8.7 billion from non-budgetary transactions, there was a financial requirement of $3.1 billion in the April 2003 to January 2004 period.

Net financing activities down $7.9 billion

This financial requirement of $3.1 billion was financed by a reduction in the Government's cash balances. In addition, there was a decrease of $7.9 billion in net financing activities, primarily through a decrease in unmatured debt transactions, particularly in marketable bonds. As a result, cash balances declined by $11 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of January 2004 stood at $3.7 billion.

Note to readers

Beginning with the April 2003 *Fiscal Monitor*, the financial results are presented on a full accrual basis of accounting. This has necessitated a recasting of the previously published monthly financial results for 2002–03. It has also resulted in a number of classification and terminology changes.

In the 2003 budget the Government implemented its commitment to present its financial statements on a full accrual accounting basis. Previously the Government's financial statements were prepared under modified accrual accounting. Full accrual accounting provides a more comprehensive reporting of assets and liabilities and a more transparent picture of the Government's financial position. Under full accrual, the budgetary balance is now more reflective of current economic developments, rather than being influenced by prior-year developments. It is the accounting standard recommended for senior levels of government in Canada by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and has been strongly recommended by the Auditor General of Canada and the House of Commons Standing Committee on Public Accounts.

The shift to full accrual accounting primarily affects tax revenues and non-financial, or capital, assets. Tax revenues are now accounted for in the period to which they relate, not when they are received, as was the case under modified accrual. Under full accrual, the costs of capital assets are now being spread over the useful lives of these assets. Under modified accrual, such costs were recognized in the year of purchase. For more information on the implementation and effects of full accrual accounting, please refer to Annex 6 of *The Budget Plan 2003*, which is available at www.fin.gc.ca.

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Table 1

Summary statement of transactions

	January		April to January	
	2003	2004	2002–03	2003–04
	($ millions)			
Budgetary transactions				
Revenues	14,363	14,647	143,754	146,629
Expenses				
Program expenses	-11,138	-11,309	-105,514	-111,535
Public debt charges	-3,136	-2,992	-31,024	-29,545
Budgetary balance (deficit/surplus)[1]	89	346	7,216	5,549
Non-budgetary transactions	2,332	2,227	-8,381	-8,686
Financial source/requirement	2,421	2,573	-1,164	-3,137
Net change in financing activities	-1,434	-6,186	-5,964	-7,897
Net change in cash balances	987	-3,613	-7,126	-11,034
Cash balance at end of period			4,822	3,666

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

[1] Under modified accrual, a surplus of $18 million was recorded for January 2003.

Table 2

Budgetary revenues

	January			April to January		
	2003	2004	Change	2002–03	2003–04	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	6,455	6,676	3.4	66,457	67,543	1.6
Corporate income tax	1,587	1,863	17.4	14,962	18,668	24.8
Other income tax revenue	562	469	-16.5	2,510	2,493	-0.7
Total income tax	8,604	9,008	4.7	83,929	88,704	5.7
Excise taxes and duties						
Goods and services tax	2,355	2,224	-5.6	25,333	23,902	-5.6
Customs import duties	254	205	-19.3	2,663	2,406	-9.7
Sales and excise taxes	749	724	-3.3	7,934	8,188	3.2
Air Travellers Security Charge	29	23	-20.7	325	335	3.1
Total excise taxes and duties	3,387	3,176	-6.2	36,255	34,831	-3.9
Total tax revenues	11,991	12,184	1.6	120,184	123,535	2.8
Employment insurance premiums	1,442	1,410	-2.2	14,474	13,962	-3.5
Other revenues	930	1,053	13.2	9,096	9,132	0.4
Total budgetary revenues	14,363	14,647	2.0	143,754	146,629	2.0

Table 3
Budgetary expenses

	January			April to January		
	2003	2004	Change	2002–03	2003–04	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,178	2,265	4.0	21,352	22,389	4.9
Employment insurance benefits	1,407	1,439	2.3	11,646	12,041	3.4
Total	3,585	3,704	3.3	32,998	34,430	4.3
Transfers to other levels of government						
Canada Health and Social Transfer	1,550	1,691	9.1	15,500	16,916	9.1
Fiscal transfers	727	781	7.4	9,356	9,332	-0.3
Alternative Payments for Standing Programs	-210	-214	1.9	-2,101	-2,116	0.7
Total	2,067	2,258	9.2	22,755	24,132	6.1
Subsidies and other transfers						
Agriculture	328	135	-58.8	694	1,091	57.2
Foreign Affairs	225	317	40.9	1,285	1,621	26.1
Health	192	199	3.6	1,244	1,432	15.1
Human Resources Development	116	178	53.4	1,207	1,164	-3.6
Indian and Northern Development	393	332	-15.5	3,388	3,519	3.9
Industry and Regional Development	152	83	-45.4	1,482	1,577	6.4
Other	517	405	-21.7	2,235	2,218	-0.8
Total	1,923	1,649	-14.2	11,535	12,622	9.4
Total transfer payments	7,575	7,611	0.5	67,288	71,184	5.8
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	78	89	14.1	914	970	6.1
Canada Mortgage and Housing Corporation	159	158	-0.6	1,578	1,699	7.7
Other	164	121	-26.2	1,655	1,854	12.0
Total	401	368	-8.2	4,147	4,523	9.1
Defence	695	810	16.5	8,970	9,588	6.9
All other departments and agencies	2,467	2,520	2.1	25,109	26,240	4.5
Total other program expenses	3,563	3,698	3.8	38,226	40,351	5.6
Total program expenses	11,138	11,309	1.5	105,514	111,535	5.7
Public debt charges	3,136	2,992	-4.6	31,024	29,545	-4.8
Total budgetary expenses	14,274	14,301	0.2	136,538	141,080	3.3

Table 4

Budgetary balance and financial source/requirement

	January		April to January	
	2003	2004	2002–03	2003–04
			($ millions)	
Budgetary balance (deficit/surplus)	89	346	7,216	5,549
Non-budgetary transactions				
Capital investing activities	-283	-185	-1,823	-1,364
Other investing activities	-321	-371	-1,012	-917
Other activities				
Accounts payable, receivables, accruals and allowances	2,812	2,710	-8,615	-10,609
Foreign exchange activities	-146	-166	654	1,799
Amortization of tangible capital assets	270	239	2,415	2,405
Total other activities	2,936	2,783	-5,546	-6,405
Total non-budgetary transactions	2,332	2,227	-8,381	-8,686
Net financial source/requirement	2,421	2,573	-1,164	-3,137

Table 5

Financial source/requirement and net financing activities

	January		April to January	
	2003	2004	2002–03	2003–04
			($ millions)	
Net financial source/requirement	2,421	2,573	-1,164	-3,137
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-460	-60	-9,317	-12,213
Treasury bills	-1,350	-6,600	8,800	5,600
Canada Savings Bonds	-44	32	-1,701	-1,534
Other	-1	0	-19	91
Total	-1,855	-6,628	-2,237	-8,056
Foreign currency borrowings	-83	124	-2,345	-383
Total	-1,938	-6,504	-4,582	-8,439
Pension and other accounts	504	318	-1,382	542
Net change in financing activities	-1,434	-6,186	-5,964	-7,897
Change in cash balance	987	-3,613	-7,126	-11,034

Table 6

Condensed statement of assets and liabilities

	March 31, 2003	January 31, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,384	71,898	-7,486
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	288,245	276,032	-12,213
Treasury bills	104,411	110,011	5,600
Canada Savings Bonds	22,584	21,050	-1,534
Other	3,371	3,462	91
Subtotal	418,611	410,555	-8,056
Payable in foreign currencies	21,141	20,757	-384
Total unmatured debt	439,752	431,312	-8,440
Pension and other accounts			
Public sector pensions	125,708	127,739	2,031
Other employee and veteran future benefits	38,844	38,845	1
Canada Pension Plan (net of securities)	7,093	5,815	-1,278
Other pension and other accounts	9,359	9,147	-212
Total pension and other accounts	181,004	181,546	542
Total interest-bearing debt	620,756	612,858	-7,897
Total liabilities	700,140	684,756	-15,384
Financial assets			
Cash and accounts receivable	62,626	54,321	-8,305
Foreign exchange accounts	48,950	47,151	-1,799
Loans, investments and advances (net of allowances)	23,748	25,079	1,331
Total financial assets	135,324	126,551	-8,773
Net debt	564,816	558,205	-6,611
Non-financial assets	54,240	53,178	-1,062
Federal debt (accumulated deficit)	510,576	505,027	-5,549

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March 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

February 2004: budgetary surplus of $3.2 billion

There was a budgetary surplus of $3.2 billion in February 2004, down $0.7 billion from the restated surplus of $4.0 billion in February 2003. Typically, a large surplus is recorded in February, reflecting the inclusion of final corporate income tax payments from those corporations with a taxation year ending December 31. On a year-over-year basis, the deterioration in the budgetary surplus was attributable to a decline in goods and services tax (GST) revenues and an increase in program expenses.

April 2003 to February 2004: budgetary surplus of $8.8 billion

The budgetary surplus is estimated at $8.8 billion for the April 2003 to February 2004 period, down $2.4 billion from the surplus of $11.2 billion reported in the same period of 2002–03. Budgetary revenues were up $2.8 billion or 1.8 per cent, due to the strength of corporate income taxes (up $4.1 billion). The weakness in other revenue sources reflects the economic impacts of a number of domestic shocks that hit the Canadian economy in 2003. Program expenses were up $6.8 billion, or 5.9 per cent, primarily due to new spending initiatives announced in recent budgets. Public debt charges were down $1.6 billion, or 4.8 per cent, reflecting lower interest rates and a decline in the stock of interest-bearing debt.

Expected Budgetary Surplus Outcome for 2003–04: $1.9 billion

Still to come are the March monthly results and the normal end-of-year adjustments, which typically lower the year-to-date surplus. In addition, the results to date do not include the impact of the policy initiatives announced in the 2004 budget, which totalled $3.6 billion. Taking these factors into account, the results to date are consistent with the expected outcome of $1.9 billion for 2003–04, as set out in the 2004 budget.

February 2004: budgetary results

The February 2004 budgetary surplus of $3.2 billion was down $0.7 billion from the $4.0 billion surplus reported in February 2003.

On a year-over-year basis, budgetary revenues, at $17.4 billion, were down $53 million, or 0.3 per cent.

- Personal income tax revenues were up $0.5 billion, or 6.9 per cent, primarily reflecting growth in source deductions due to gains in employment and, hence, personal income.
- Corporate income tax revenues increased by $0.4 billion, or 9.0 per cent, due to higher settlement payments from corporations with a taxation year ending December 31.

Corporations are required to file monthly instalments based on either their previous year's actual tax liability or their current year's estimated tax liability. They have 60 days from their year-end to pay any taxes owing. Typically, about one-fifth of total corporate income tax revenues are received in the month of February, resulting in a large surplus in that month.

- Excise taxes and duties decreased by $0.4 billion, or 11.7 per cent, primarily due to a $0.4-billion decline in GST revenues. GST revenues were down because of a sharp decline in gross receipts from domestic sales and an increase in refunds and rebates. Customs import duties were down 11.9 per cent, while sales and excise taxes were up 5.4 per cent.

- Employment insurance (EI) premiums were down 10.8 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were down $0.3 billion, or 28.1 per cent. This category of revenues is quite volatile on a monthly basis.

On a year-over-year basis, program expenses in February 2004, at $11.2 billion, were $0.8 billion, or 7.9 per cent, higher than in February 2003. Transfer payments were 5.8 per cent higher while other program expenses were up 12.4 per cent.

The increase in transfer payments, on a year-over-year basis, is due to higher transfers to persons and increased subsidies and other transfers.

- Major transfers to persons, consisting of elderly and EI benefits, were up 10.6 per cent. Elderly benefits increased 4.3 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefit payments were up 20.7 per cent, mainly because of an extra payment cycle in February 2004 compared to last year.
- Major transfers to other levels of government, consisting of the Canada Health and Social Transfer (CHST), fiscal transfers and Alternative Payments for Standing Programs, were down 2.9 per cent. Although CHST payments were up as a result of the February 2003 First Ministers' Accord on Health Care Renewal, fiscal transfers were lower. Fiscal transfers consist of equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In February 2004, official estimates of 2003–04 equalization entitlements, the largest component of fiscal transfers, were revised downward, as tax data for 2002 received in late January 2004 indicated that income growth in Ontario had been significantly lower than previously estimated. This reduced the fiscal disparities among the provinces, thereby resulting in lower equalization entitlements. The net impact of these revisions is being prorated among the remaining periods of 2003–04.
- Subsidies and other transfers increased $0.1 billion, or 6.3 per cent. Transfers were up strongly in Human Resources Development because of the timing of payments under the various student assistance programs, and in Industry and Regional Development because of increased grants awarded by the Social Sciences and Humanities Research Council of Canada. These increases, however, were partly offset by a decrease in Agriculture, which was due to a large payment in February 2003 to the Crop Reinsurance Fund.

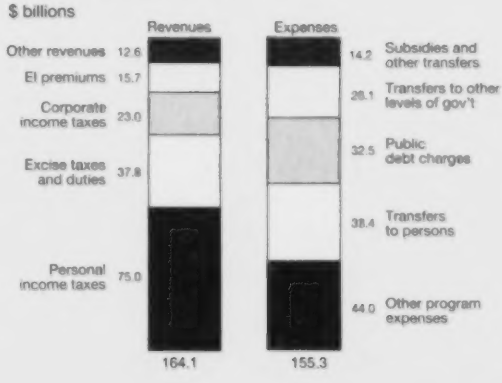
Other program expenses, which consist of operating expenses for departments and agencies, including defence and Crown corporations, were up 12.4 per cent year-over-year because of increases in non-defence departmental and agency expenses.

Public debt charges were down 4.7 per cent, primarily reflecting a decline in the average effective interest rate on interest-bearing debt.

April 2003 to February 2004: budgetary results

In the first 11 months of the 2003–04 fiscal year, there was a budgetary surplus of $8.8 billion—a year-over-year deterioration of $2.4 billion from the surplus of $11.2 billion reported in the same period of 2002–03. The lower surplus reflects the impact on revenues of the weakness in economic activity due to a series of shocks that hit the Canadian economy and the impact of spending initiatives and tax reduction measures announced in previous budgets.

Revenues and expenses
(April 2003 to February 2004)



On a year-over-year basis, budgetary revenues, at $164.1 billion, were up $2.8 billion, or 1.8 per cent.

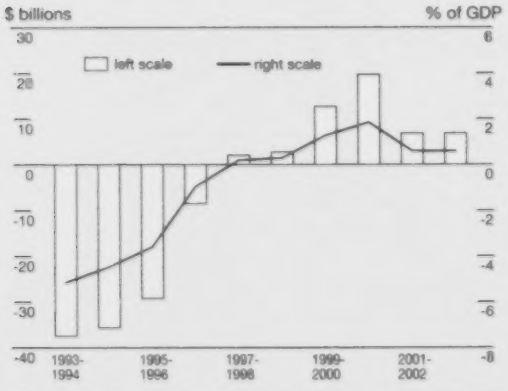
- Personal income tax revenues were up $1.6 billion, or 2.1 per cent, due to higher tax remittances from employment income, as employment, and therefore the number of Canadians paying taxes, was up over last year. The net impact of this increase in taxes from employment income was dampened by the impact of tax reduction measures announced in previous budgets. On balance, the growth in personal income taxes to date is in line with the growth in wages and salaries, adjusted for the impact of the budget measures.
- Corporate income taxes increased $4.1 billion, or 21.5 per cent, reflecting the strong rebound in corporate profits in 2003, as well as lower refunds pertaining to prior-year assessments.
- Excise taxes and duties were down $1.8 billion, primarily because of a 6.6-per-cent decline in GST revenues. Within GST revenues, gross receipts from imports have declined sharply, while gross receipts from domestic sales are virtually unchanged from the same period last year. As expected, the timing factors that contributed to strong growth in refunds earlier in 2003–04 are beginning to be unwound, leaving year-to-date refunds slightly below last year's levels. Rebates, however, are up strongly, reflecting strong growth in the housing and municipal, university, school and hospital sector. Sales and excise taxes were up 3.4 per cent, while customs import duties were down 9.9 per cent, reflecting lower imports subject to import duties.
- EI premiums were down 4.4 per cent, as the reduction in premium rates more than offset the impact of the increase in the number of people employed.
- Other revenues were down 2.6 per cent.

On a year-over-year basis, program expenses in the April 2003 to February 2004 period, at $122.7 billion, were up $6.8 billion, or 5.9 per cent, over the same period of 2002–03.

Transfer payments increased by $4.3 billion, or 5.8 per cent.

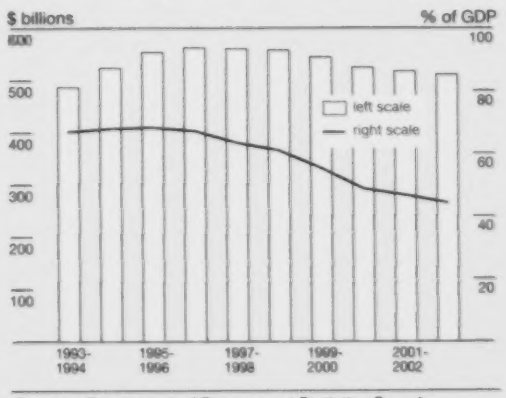
- Major transfers to persons, consisting of elderly and EI benefits, were up $1.8 billion, or 4.9 per cent. Elderly benefits increased 4.8 per cent, while EI benefits were up 5.2 per cent due to a rise in the number of beneficiaries and an increase in average weekly benefits.
- Major transfers to other levels of government increased by $1.3 billion, or 5.3 per cent, reflecting higher entitlements under the CHST program.
- Subsidies and other transfers increased by $1.2 billion, or 9.1 per cent, primarily reflecting the impact of previous budget measures.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Other program expenses increased by $2.5 billion, or 6.1 per cent, with all components higher. The increases in Crown corporation expenses, defence and all other departmental and agency program expenses are primarily due to the impact of increased operating costs as well as policy initiatives announced in previous budgets.

Public debt charges were down 4.8 per cent, reflecting a decline in both the average effective interest rate on interest-bearing debt and the stock of interest-bearing debt.

Financial source of $1.1 billion for April 2003 to February 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $7.7 billion in the first 11 months of 2003–04, up $0.7 billion from the requirement in the same period of 2002–03, primarily reflecting a lower net source of funds from foreign exchange activities.

With a budgetary surplus of $8.8 billion and a net requirement of $7.7 billion from non-budgetary transactions, there was a financial source of $1.1 billion in the April 2003 to February 2004 period. This is down from the financial source of $4.2 billion recorded in the same period of 2002–03, primarily reflecting the deterioration in the year-over-year budgetary surplus.

Net financing activities down $9.6 billion

With a financial source of $1.1 billion and a $9.6-billion decrease in net financing activities due to a decrease in unmatured debt transactions, the Government's cash balances declined by $8.5 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of February stood at $6.2 billion.

Note to readers

Beginning with the April 2003 *Fiscal Monitor*, the financial results are presented on a full accrual basis of accounting. This has necessitated a recasting of the previously published monthly financial results for 2002–03. It has also resulted in a number of classification and terminology changes.

In the 2003 budget the Government implemented its commitment to present its financial statements on a full accrual accounting basis. Previously the Government's financial statements were prepared under modified accrual accounting. Full accrual accounting provides a more comprehensive reporting of assets and liabilities and a more transparent picture of the Government's financial position. Under full accrual, the budgetary balance is now more reflective of current economic developments, rather than being influenced by prior-year developments. It is the accounting standard recommended for senior levels of government in Canada by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and has been strongly recommended by the Auditor General of Canada and the House of Commons Standing Committee on Public Accounts.

The shift to full accrual accounting primarily affects tax revenues and non-financial, or capital, assets. Tax revenues are now accounted for in the period to which they relate, not when they are received, as was the case under modified accrual. Under full accrual, the costs of capital assets are now being spread over the useful lives of these assets. Under modified accrual, such costs were recognized in the year of purchase. For more information on the implementation and effects of full accrual accounting, please refer to Annex 6 of *The Budget Plan 2003*, which is available at www.fin.gc.ca.

Table 1
Summary statement of transactions

	February		April to February	
	2003	2004	2002–03	2003–04
	($ millions)			
Budgetary transactions				
Revenues	17,473	17,420	161,229	164,051
Expenses				
Program expenses	-10,360	-11,174	-115,872	-122,710
Public debt charges	-3,147	-2,998	-34,173	-32,544
Budgetary balance (deficit/surplus)[1]	3,966	3,248	11,184	8,797
Non-budgetary transactions	1,370	954	-7,009	-7,734
Financial source/requirement	5,336	4,202	4,175	1,063
Net change in financing activities	-4,217	-1,686	-10,182	-9,582
Net change in cash balances	1,119	2,516	-6,007	-8,519
Cash balance at end of period			5,940	6,181

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

[1] Under modified accrual, a surplus of $3.6 billion was recorded for February 2003.

Table 2
Budgetary revenues

	February			April to February		
	2003	2004	Change	2002–03	2003–04	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	6,981	7,466	6.9	73,438	75,010	2.1
Corporate income tax	3,942	4,298	9.0	18,904	22,966	21.5
Other income tax revenue	220	224	1.8	2,730	2,717	-0.5
Total income tax	11,143	11,988	7.6	95,072	100,693	5.9
Excise taxes and duties						
Goods and services tax	2,307	1,914	-17.0	27,641	25,816	-6.6
Customs import duties	268	236	-11.9	2,931	2,642	-9.9
Sales and excise taxes	704	742	5.4	8,637	8,928	3.4
Air Travellers Security Charge	35	34	-2.9	360	369	2.5
Total excise taxes and duties	3,314	2,926	-11.7	39,569	37,755	-4.6
Total tax revenues	14,457	14,914	3.2	134,641	138,448	2.8
Employment insurance premiums	1,955	1,743	-10.8	16,428	15,705	-4.4
Other revenues	1,061	763	-28.1	10,160	9,898	-2.6
Total budgetary revenues	17,473	17,420	-0.3	161,229	164,051	1.8

Table 3

Budgetary expenses

	February			April to February		
	2003	2004	Change	2002–03	2003–04	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,181	2,274	4.3	23,534	24,662	4.8
Employment insurance benefits	1,372	1,656	20.7	13,018	13,698	5.2
Total	3,553	3,930	10.6	36,552	38,360	4.9
Transfers to other levels of government						
Canada Health and Social Transfer	1,550	1,691	9.1	17,050	18,609	9.1
Fiscal transfers	727	531	-27.0	10,084	9,864	-2.2
Alternative Payments for Standing Programs	-210	-214	1.9	-2,312	-2,330	0.8
Total	2,067	2,008	-2.9	24,822	26,143	5.3
Subsidies and other transfers						
Agriculture	505	32	-93.7	1,200	1,123	-6.4
Foreign Affairs	230	224	-2.6	1,515	1,845	21.8
Health	104	119	14.4	1,348	1,551	15.1
Human Resources Development	106	280	164.2	1,313	1,445	10.1
Indian and Northern Development	308	267	-13.3	3,697	3,786	2.4
Industry and Regional Development	107	379	254.2	1,589	1,956	23.1
Other	163	318	95.1	2,399	2,539	5.8
Total	1,523	1,619	6.3	13,061	14,245	9.1
Total transfer payments	7,143	7,557	5.8	74,435	78,748	5.8
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	80	84	5.0	994	1,055	6.1
Canada Mortgage and Housing Corporation	170	161	-5.3	1,748	1,860	6.4
Other	221	106	-52.0	1,877	1,959	4.4
Total	471	351	-25.5	4,619	4,874	5.5
Defence	966	964	-0.2	9,935	10,552	6.2
All other departments and agencies	1,780	2,302	29.3	26,883	28,536	6.1
Total other program expenses	3,217	3,617	12.4	41,437	43,962	6.1
Total program expenses	10,360	11,174	7.9	115,872	122,710	5.9
Public debt charges	3,147	2,998	-4.7	34,173	32,544	-4.8
Total budgetary expenses	13,507	14,172	4.9	150,045	155,254	3.5

Table 4

Budgetary balance and financial source/requirement

	February		April to February	
	2003	2004	2002–03	2003–04
	($ millions)			
Budgetary balance (deficit/surplus)	3,966	3,248	11,184	8,797
Non-budgetary transactions				
Capital investing activities	-166	-171	-1,989	-1,536
Other investing activities	288	-134	-724	-1,052
Other activities				
Accounts payable, receivables, accruals and allowances	-1,890	314	-10,506	-10,295
Foreign exchange activities	2,956	627	3,611	2,426
Amortization of tangible capital assets	183	318	2,599	2,723
Total other activities	1,249	1,259	-4,296	-5,146
Total non-budgetary transactions	1,370	954	-7,009	-7,734
Net financial source/requirement	5,336	4,202	4,175	1,063

Table 5

Financial source/requirement and net financing activities

	February		April to February	
	2003	2004	2002–03	2003–04
	($ millions)			
Net financial source/requirement	5,336	4,202	4,175	1,063
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,190	984	-8,127	-11,229
Treasury bills	-3,050	-3,500	5,750	2,100
Canada Savings Bonds	-96	-131	-1,797	-1,665
Other		0	-19	91
Total	-1,956	-2,647	-4,193	-10,703
Foreign currency borrowings	-3,187	350	-5,533	-33
Total	-5,143	-2,297	-9,726	-10,736
Pension and other accounts	926	611	-456	1,154
Net change in financing activities	-4,217	-1,686	-10,182	-9,582
Change in cash balance	1,119	2,516	-6,007	-8,519

Table 6

Condensed statement of assets and liabilities

	March 31, 2003	February 29, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,384	75,054	-4,330
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	288,245	277,016	-11,229
Treasury bills	104,411	106,511	2,100
Canada Savings Bonds	22,584	20,918	-1,666
Other	3,371	3,462	91
Subtotal	418,611	407,907	-10,704
Payable in foreign currencies	21,141	21,107	-34
Total unmatured debt	439,752	429,014	-10,738
Pension and other accounts			
Public sector pensions	125,708	127,512	1,804
Other employee and veteran future benefits	38,844	38,845	1
Canada Pension Plan (net of securities)	7,093	6,685	-408
Other pension and other accounts	9,359	9,117	-242
Total pension and other accounts	181,004	182,159	1,155
Total interest-bearing debt	620,756	611,173	-9,583
Total liabilities	700,140	686,227	-13,913
Financial assets			
Cash and accounts receivable	62,626	59,786	-2,840
Foreign exchange accounts	48,950	46,524	-2,426
Loans, investments and advances (net of allowances)	23,748	25,126	1,378
Total financial assets	135,324	131,436	-3,888
Net debt	564,816	554,791	-10,025
Non-financial assets	54,240	53,013	-1,227
Federal debt (accumulated deficit)	510,576	501,778	-8,798

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April 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

March 2004: budgetary deficit of $1.2 billion

There was a budgetary deficit of $1.2 billion in March 2004, a deterioration of $248 million from the restated deficit of $987 million in March 2003. On a year-over-year basis, budgetary revenues were up $2.7 billion, driven by strong increases in corporate income tax and goods and service tax (GST) revenues, while public debt charges were down $0.3 billion. These positive developments on the budgetary balance were more than offset by a $3.2-billion increase in program expenses, primarily due to the liabilities associated with the special $2-billion Canada Health and Social Transfer (CHST) cash supplement to the provinces and territories for health and the special $995 million in transitional assistance for Canadian farmers.

April 2003 to March 2004: budgetary surplus of $7.6 billion

The budgetary surplus is estimated at $7.6 billion for the April 2003 to March 2004 period, down $2.6 billion from the surplus of $10.2 billion reported in the same period of 2002–03. Budgetary revenues were up $5.5 billion, or 3.1 per cent, largely due to the strength of corporate income taxes (up $5.6 billion). The weakness in other revenue sources reflected the economic impacts of a number of domestic shocks that hit the Canadian economy in 2003. Program expenses were up $10.0 billion, or 7.8 per cent, primarily due to new spending initiatives announced in recent budgets. Public debt charges were down $1.9 billion, or 5.1 per cent, reflecting lower interest rates.

March 2004 budget estimated surplus for 2003–04 at $1.9 billion

These are not the final audited results for the 2003–04 fiscal year. Still to come are the regular end-of-year accounting adjustments, which incorporate the costs of liabilities incurred during the fiscal year for which no payments were made in 2003–04, reassessments of loan provisions and final tax accrual adjustments. In the past, these adjustments have reduced the April-to-March budgetary balance by $3 billion to $7 billion. Last year, the adjustments were at the lower end of the range, primarily reflecting a number of positive one-time adjustments to loan provisions, which are not expected to be repeated this year. Final results for 2003–04 will be released in the fall of 2004.

March 2004: budgetary results

The March 2004 budgetary deficit of $1.2 billion was $248 million higher than the deficit reported in March 2003.

On a year-over-year basis, budgetary revenues, at $17.8 billion, were up $2.7 billion, or 17.6 per cent.

- Personal income tax revenues were up $0.4 billion, or 5.4 per cent, primarily reflecting growth in source deductions from employment income, due to gains in employment and hence personal income.
- Corporate income tax revenues increased by $1.5 billion to almost double the level recorded last year. Part of the year-over-year increase was attributable to the timing of final settlement payments with respect to taxation year 2003. In addition, the improvement in corporate profits in 2003 has resulted in lower refunds and an increase in monthly installments. Corporations are required to file monthly installments based on either their previous year's actual tax liability or their current year's estimated tax liability. In calendar year 2003, monthly installments were largely based on the actual tax liability for taxation year 2002—a year of weak profits. With the strong rebound in profits in 2003, corporations are now making installment payments based on their 2003 tax liability.

- Excise taxes and duties increased by $1.3 billion, or 63.1 per cent, solely due to a $1.4-billion increase in GST revenues. The higher GST revenues reflect both a strong increase in gross receipts from both domestic sales and imports, reflecting strong retail sales in February 2004, and a sharp decline in refunds. The year-over-year decline in refunds primarily reflects the timing of refunds claimed in 2002–03, which resulted in a large increase in refunds being paid in March 2003. The other components of excise taxes and duties recorded year-over-year declines. Customs import duties were down 16.2 per cent, primarily reflecting the impact of the appreciation of the Canadian dollar.
- Employment insurance (EI) premiums were down 3.5 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were down $0.5 billion. This component is extremely volatile on a monthly basis.

On a year-over-year basis, program expenses in March 2004 were $16.1 billion, up $3.2 billion, or 24.7 per cent, from March 2003, primarily due to higher transfer payments.

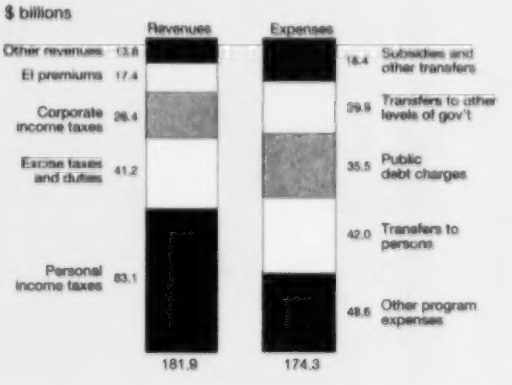
Transfer payments were $3.4 billion higher, primarily due to the $2-billion liability for the cash supplement under the CHST to the provinces and territories for health and the $995-million agricultural assistance package.

- Major transfers to persons, consisting of elderly and EI benefits, were down 2.8 per cent on a year-over-year basis. Elderly benefits increased 4.2 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefit payments were down 12.6 per cent, mainly because of one less payment cycle in March 2004 compared to last year. As noted in last month's *Fiscal Monitor*, there was an extra cycle in February 2004.
- Major transfers to other levels of government, consisting of the CHST, fiscal transfers and Alternative Payments for Standing Programs, more than doubled, reflecting the booking of the liability, with the passage of Bill C-18, for the $2-billion CHST cash supplement for health. Fiscal transfers consist of equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In February 2004, official estimates of 2003–04 equalization entitlements, the largest component of fiscal transfers, were revised downward, as tax data for 2002 received in late January 2004 indicated that income growth in Ontario had been significantly lower than previously estimated. This reduced the fiscal disparities among the provinces, thereby resulting in lower equalization entitlements. The net impact of these revisions is being prorated among the remaining periods of 2003–04.
- Subsidies and other transfers increased by $1.6 billion, or 64 per cent, primarily due to the $995 million in transitional assistance for Canadian farmers announced on March 22, 2004. The funding was provided to help the agricultural sector, which has been affected by a number of shocks and unforeseen events in the past year. In addition, health transfers were up due to liabilities to the province of Ontario for expenses related to the fight against severe acute respiratory syndrome.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. Transfers to Crown corporations were virtually unchanged. Defence expenses declined marginally, while expenses in all other departments and agencies were down 8.0 per cent. Monthly changes are largely affected by the timing of payments.

Public debt charges were down 8.4 per cent, primarily reflecting a decline in the average effective interest rate on interest-bearing debt, as the stock of interest-bearing debt was largely unchanged.

Revenues and expenses
(April 2003 to March 2004)



April 2003 to March 2004: budgetary results

In the April to March period of fiscal year 2003–04, there was a budgetary surplus of $7.6 billion—a year-over-year deterioration of $2.6 billion from the surplus of $10.2 billion reported in the same period of 2002–03. The lower surplus reflects the impact on revenues of the weakness in economic activity due to a series of shocks that have hit the Canadian economy and the impact of spending initiatives and tax reduction measures announced in previous budgets.

On a year-over-year basis, budgetary revenues, at $181.9 billion, were up $5.5 billion, or 3.1 per cent, as higher corporate and personal income tax revenues, up $5.6 billion and $2.0 billion respectively, were partially offset by declines in the other major revenue components.

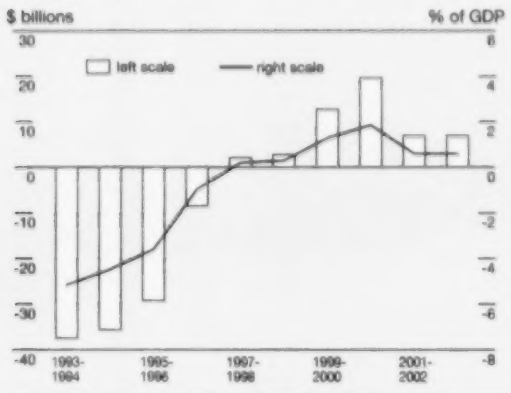
- Personal income tax revenues were up $2.0 billion, or 2.4 per cent, due to higher tax remittances from employment income, as employment, and therefore the number of Canadians paying taxes, was up over last year. The net impact of this increase in taxes from employment income was dampened by the impact of tax reduction measures announced in previous budgets.
- Corporate income taxes increased $5.6 billion, or 26.9 per cent, reflecting the strong rebound in corporate profits in 2003, as well as lower refunds pertaining to prior-year assessments.
- Excise taxes and duties were down $0.5 billion as a result of year-over-year declines in both GST revenues and customs import duties, partially offset by increases in sales and excise taxes. Within GST revenues, gross receipts from imports have declined sharply, while gross receipts from domestic sales are virtually unchanged from the same period last year. As expected, the timing factors that contributed to weak growth in refunds in the first half of 2003–04 have been unwound, leaving current refunds below last year's levels and in line with the decline in gross collections. Rebates, however, are up strongly, reflecting strong growth in spending in the housing and municipal, university, school and hospital sectors. Customs import duties were down 10.4 per cent, reflecting the impact of the appreciation in the value of the Canadian dollar. Sales and excise taxes were up 2.8 per cent.
- EI premiums were down 4.3 per cent, as the reduction in premium rates more than offset the impact of the increase in the number of people employed.
- Other revenues were down 6.7 per cent.

On a year-over-year basis, program expenses in the April 2003 to March 2004 period, at $138.8 billion, were up $10 billion, or 7.8 per cent, over the same period of 2002–03, with increases in all major components.

Transfer payments increased by $7.8 billion, or 9.4 per cent.

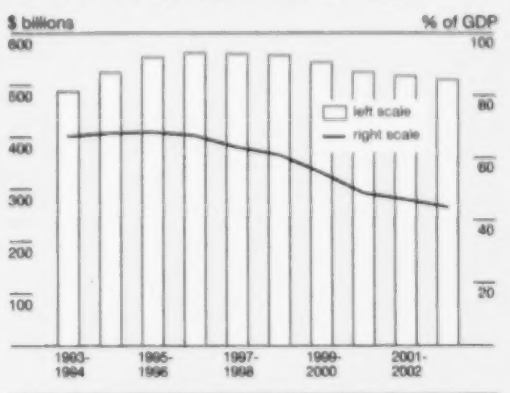
- Major transfers to persons, consisting of elderly and EI benefits, were up $1.7 billion, or 4.2 per cent. Elderly benefits increased 4.7 per cent, while EI benefits were up 3.3 per cent due to a rise in the number of beneficiaries and an increase in average weekly benefits.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

- Major transfers to other levels of government increased by $3.2 billion, or 12.2 per cent, primarily reflecting higher entitlements under the CHST program and the liability associated with the $2-billion CHST cash supplement.
- Subsidies and other transfers increased by $2.8 billion, or 18.1 per cent, primarily reflecting the impact of previous budget measures, including the $995-million agricultural assistance package.

Other program expenses increased by $2.3 billion, or 4.9 per cent, with all components higher. The increases in Crown corporation expenses, defence and all other departmental and agency program expenses are primarily due to the impact of increased operating costs as well as policy initiatives announced in previous budgets.

Public debt charges were down 5.1 per cent, primarily reflecting a decline in the average effective interest rate on interest-bearing debt.

Financial source of $3.1 billion for April 2003 to March 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $4.4 billion in 2003–04, down $0.8 billion from the requirement in the same period of 2002–03, primarily reflecting a higher net source of funds from foreign exchange activities.

With a budgetary surplus of $7.6 billion and a net requirement of $4.4 billion from non-budgetary transactions, there was a financial source of $3.1 billion in the April 2003 to March 2004 period. This is down from the financial source of $5.0 billion recorded in the same period last year, primarily reflecting the deterioration in the year-over-year budgetary surplus.

Net financing activities down $0.6 billion

With this financial source of $3.1 billion, the Government reduced its net financing activities by $0.6 billion and increased its cash balances by $2.6 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of March stood at $17.3 billion.

Note to readers

Beginning with the April 2003 *Fiscal Monitor*, the financial results are presented on a full accrual basis of accounting. This has necessitated a recasting of the previously published monthly financial results for 2002–03. It has also resulted in a number of classification and terminology changes.

In the 2003 budget the Government implemented its commitment to present its financial statements on a full accrual accounting basis. Previously the Government's financial statements were prepared under modified accrual accounting. Full accrual accounting provides a more comprehensive reporting of assets and liabilities and a more transparent picture of the Government's financial position. Under full accrual, the budgetary balance is now more reflective of current economic developments, rather than being influenced by prior-year developments. It is the accounting standard recommended for senior levels of government in Canada by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and has been strongly recommended by the Auditor General of Canada and the House of Commons Standing Committee on Public Accounts.

The shift to full accrual accounting primarily affects tax revenues and non-financial, or capital, assets. Tax revenues are now accounted for in the period to which they relate, not when they are received, as was the case under modified accrual. Under full accrual, the costs of capital assets are now being spread over the useful lives of these assets. Under modified accrual, such costs were recognized in the year of purchase.

For more information on the implementation and effects of full accrual accounting, please refer to Annex 6 of *The Budget Plan 2003*, which is available at www.fin.gc.ca.

Table 1

Summary statement of transactions

	March		April to March	
	2003	2004	2002–03	2003–04
	($ millions)			
Budgetary transactions				
Revenues	15,177	17,842	176,407	181,892
Expenses				
Program expenses	-12,912	-16,099	-128,785	-138,807
Public debt charges	-3,252	-2,978	-37,426	-35,522
Budgetary balance (deficit/surplus)[1]	-987	-1,235	10,196	7,563
Non-budgetary transactions	1,762	3,301	-5,246	-4,433
Financial source/requirement	775	2,066	4,950	3,130
Net change in financing activities	8,027	9,003	-2,157	-579
Net change in cash balances	8,802	11,069	2,793	2,551
Cash balance at end of period			14,740	17,250

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

[1] Under modified accrual, a deficit of $4.4 billion was recorded for March 2003.

Table 2

Budgetary revenues

	March			April to March		
	2003	2004	Change	2002–03	2003–04	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	7,718	8,135	5.4	81,157	83,144	2.4
Corporate income tax	1,868	3,389	81.4	20,772	26,355	26.9
Other income tax revenue	226	195	-13.7	2,956	2,912	-1.5
Total income tax	9,812	11,719	19.4	104,885	112,411	7.2
Excise taxes and duties						
Goods and services tax	1,038	2,446	135.6	28,680	28,262	-1.5
Customs import duties	272	228	-16.2	3,203	2,870	-10.4
Sales and excise taxes	758	730	-3.7	9,397	9,660	2.8
Air Travellers Security Charge	47	45	-4.3	407	414	1.7
Total excise taxes and duties	2,115	3,449	63.1	41,687	41,206	-1.2
Total tax revenues	11,927	15,168	27.2	146,572	153,617	4.8
Employment insurance premiums	1,775	1,713	-3.5	18,203	17,419	-4.3
Other revenues	1,475	961	-34.8	11,632	10,856	-6.7
Total budgetary revenues	15,177	17,842	17.6	176,407	181,892	3.1

Table 3

Budgetary expenses

	March			April to March		
	2003	2004	Change	2002–03	2003–04	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,186	2,277	4.2	25,720	26,939	4.7
Employment insurance benefits	1,576	1,378	-12.6	14,594	15,076	3.3
Total	3,762	3,655	-2.8	40,314	42,015	4.2
Transfers to other levels of government						
Canada Health and Social Transfer	1,550	3,691	138.1	18,600	22,300	19.9
Fiscal transfers	369	216	-41.5	10,453	10,081	-3.6
Alternative Payments for Standing Programs	-210	-285	35.7	-2,522	-2,615	3.7
Total	1,709	3,622	111.9	26,531	29,766	12.2
Subsidies and other transfers						
Agriculture	193	1,235	539.9	1,393	2,358	69.3
Foreign Affairs	742	674	-9.2	2,256	2,519	11.7
Health	163	508	211.7	1,511	2,059	36.3
Human Resources Development	138	169	22.5	1,451	1,614	11.2
Indian and Northern Development	454	481	5.9	4,151	4,268	2.8
Industry and Regional Development	370	479	29.5	1,959	2,435	24.3
Other	501	655	30.7	2,899	3,192	10.1
Total	2,561	4,201	64.0	15,620	18,445	18.1
Total transfer payments	8,032	11,478	42.9	82,465	90,226	9.4
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	57	20	-64.9	1,051	1,074	2.2
Canada Mortgage and Housing Corporation	165	205	24.2	1,913	2,065	7.9
Other	167	166	-0.6	2,045	2,125	3.9
Total	389	391	0.5	5,009	5,264	5.1
Defence	1,393	1,381	-0.9	11,328	11,933	5.3
All other departments and agencies	3,098	2,849	-8.0	29,983	31,384	4.7
Total other program expenses	4,880	4,621	-5.3	46,320	48,581	4.9
Total program expenses	12,912	16,099	24.7	128,785	138,807	7.8
Public debt charges	3,252	2,978	-8.4	37,426	35,522	-5.1
Total budgetary expenses	16,164	19,077	18.0	166,211	174,329	4.9

Table 4

Budgetary balance and financial source/requirement

	March		April to March	
	2003	2004	2002–03	2003–04
			($ millions)	
Budgetary balance (deficit/surplus)	-987	-1,235	10,196	7,563
Non-budgetary transactions				
Capital investing activities	-696	-724	-2,685	-2,259
Other investing activities	-55	792	-779	-260
Other activities				
Accounts payable, receivables, accruals and allowances	2,840	1,144	-7,664	-9,152
Foreign exchange activities	-552	1,793	3,058	4,219
Amortization of tangible capital assets	225	295	2,824	3,018
Total other activities	2,513	3,232	-1,782	-1,915
Total non-budgetary transactions	1,762	3,301	-5,246	-4,433
Net financial source/requirement	775	2,066	4,950	3,130

Table 5

Financial source/requirement and net financing activities

	March		April to March	
	2003	2004	2002–03	2003–04
			($ millions)	
Net financial source/requirement	775	2,066	4,950	3,130
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	2,456	1,921	-5,671	-9,307
Treasury bills	4,650	6,700	10,400	8,800
Canada Savings Bonds	-135	-15	-1,932	-1,680
Other	-1	-34	-19	57
Total	6,970	8,572	2,778	-2,130
Foreign currency borrowings	-364	-564	-5,897	-597
Total	6,606	8,008	-3,119	-2,727
Pension and other accounts	1,421	995	962	2,148
Net change in financing activities	8,027	9,003	-2,157	-579
Change in cash balance	8,802	11,069	2,793	2,551

Table 6

Condensed statement of assets and liabilities

	March 31, 2003	March 31, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,384	75,937	-3,447
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	288,245	278,939	-9,306
Treasury bills	104,411	113,211	8,800
Canada Savings Bonds	22,584	20,904	-1,680
Other	3,371	3,427	56
Subtotal	418,611	416,481	-2,130
Payable in foreign currencies	21,141	20,544	-597
Total unmatured debt	439,752	437,025	-2,727
Pension and other accounts			
Public sector pensions	125,708	127,790	2,082
Other employee and veteran future benefits	38,844	38,845	1
Canada Pension Plan (net of securities)	7,093	7,480	387
Other pension and other accounts	9,359	9,038	-321
Total pension and other accounts	181,004	183,152	2,148
Total interest-bearing debt	620,756	620,177	-579
Total liabilities	700,140	696,114	-4,026
Financial assets			
Cash and accounts receivable	62,626	69,979	7,353
Foreign exchange accounts	48,950	44,731	-4,219
Loans, investments and advances (net of allowances)	23,748	25,031	1,283
Total financial assets	135,324	139,741	4,417
Net debt	564,816	556,373	-8,443
Non-financial assets	54,240	53,360	-880
Federal debt (accumulated deficit)	510,576	503,013	-7,563

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May 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

April 2004: budgetary surplus of $788 million

There was a budgetary surplus of $788 million in April 2004, down $205 million from the restated surplus of $993 million in April 2003. On a year-over-year basis, budgetary revenues were up $0.2 billion while program expenses were up $0.4 billion. Public debt charges were essentially unchanged.

April 2004: budgetary results

The April 2004 budgetary surplus of $788 million was $205 million lower than the surplus reported in April 2003. The April 2003 surplus was restated from $424 million to $993 million due to revisions to the monthly accrual methodology.

On a year-over-year basis, budgetary revenues, at $15.2 billion, were up $0.2 billion, or 1.6 per cent.

- Personal income tax revenues were up $0.7 billion, or 10.4 per cent, primarily reflecting strong growth in source deductions from employment income.
- Corporate income tax revenues fell by $0.4 billion, or 20.9 per cent, reflecting strong increases in refunds. Monthly installments were slightly higher.
- Excise taxes and duties increased by $0.1 billion, or 2.2 per cent. Goods and services tax (GST) revenues advanced by 2.2 per cent, as a strong gain in gross GST receipts from domestic sales and lower refunds and rebates were partly offset by the weakness in GST collected on imported goods. Sales and excise taxes were up 5.7 per cent due in large part to increases in tobacco duties. Customs import duties were down 3.3 per cent, primarily reflecting the impact of the appreciation of the Canadian dollar.
- Employment insurance (EI) premiums were down 4.2 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were up marginally.

On a year-over-year basis, program expenses in April 2004 were $11.6 billion, up $0.4 billion, or 4.0 per cent, from April 2003, primarily due to higher transfer payments.

Transfer payments were up $0.3 billion due in large part to increased federal support to the provinces and territories for health and other social programs.

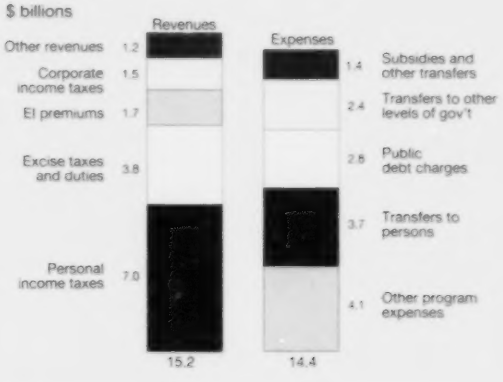
- Major transfers to persons, consisting of elderly and EI benefits, were up 1.1 per cent on a year-over-year basis. Elderly benefits increased 3.6 per cent due to both higher average benefits, which are indexed quarterly to changes in consumer prices, and an increase in the number of individuals eligible for benefits. EI benefit payments were down 2.9 per cent, primarily reflecting lower labour market adjustment payments to provinces.

- Major transfers to other levels of government consist of support for health and other social programs, fiscal transfers and Alternative Payments for Standing Programs. Starting in April 2004, the former Canada Health and Social Transfer has been divided into the Canada Health Transfer, Canada Social Transfer and Health Reform Transfer. Total payments were up $147 million as a result of the February 2003 First Ministers' Accord on Health Care Renewal. The increase in fiscal transfers, which consist of equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program, was largely offset by higher recoveries under Alternative Payments for Standing Programs.
- Subsidies and other transfers increased $106 million, or 8.0 per cent, reflecting the impact of previous budget measures.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. Transfers to Crown corporations were virtually unchanged. Defence expenses declined 4.7 per cent, while expenses in all other departments and agencies were up 7.3 per cent, due mainly to increased operating expenses and policy initiatives announced in previous budgets.

Public debt charges were essentially unchanged.

Revenues and expenses
(April 2004)



Financial requirement of $4.1 billion for April 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, pensions and other accounts, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $4.9 billion in April 2004, down $0.6 billion from the requirement in April 2003 as higher requirements related to capital acquisitions and pensions and other accounts were more than offset by increased sources of funds from foreign exchange activities and a lower requirement from accounts payable, receivables, accruals and allowances.

With a budgetary surplus of $0.8 billion and a net requirement of $4.9 billion from non-budgetary transactions, there was a financial requirement of $4.1 billion in April 2004. This is down from the financial requirement of $4.5 billion recorded in the same period last year, as the deterioration in the year-over-year budgetary surplus was more than offset by the reduction in the requirement for non-budgetary transactions.

Table 1

Summary statement of transactions

	April	
	2003	2004
	($ millions)	
Budgetary transactions		
Revenues	14,954	15,191
Expenses		
Program expenses	-11,139	-11,584
Public debt charges	-2,822	-2,819
Budgetary balance (deficit/surplus)	993	788
Non-budgetary transactions	-5,450	-4,868
Financial source/requirement	-4,457	-4,080
Net change in financing activities	-4,699	-7,901
Net change in cash balances	-9,156	-11,981
Cash balance at end of period	5,543	5,298

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

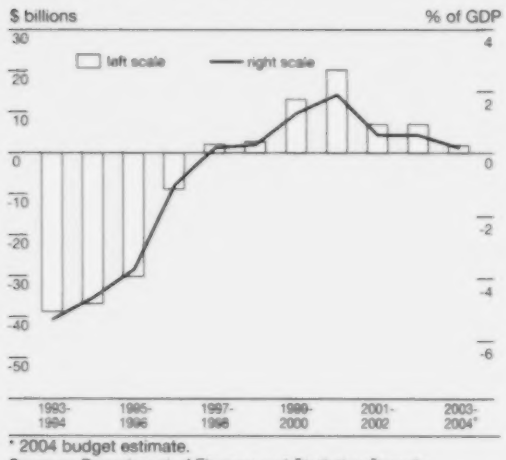
	April		
	2003	2004	Change
	($ millions)		(%)
Tax revenues			
Income taxes			
Personal income tax	6,336	6,992	10.4
Corporate income tax	1,873	1,481	-20.9
Other income tax revenue	288	247	-14.2
Total income tax	8,497	8,720	2.6
Excise taxes and duties			
Goods and services tax	2,728	2,787	2.2
Customs import duties	243	235	-3.3
Sales and excise taxes	733	775	5.7
Air Travellers Security Charge	45	34	-24.4
Total excise taxes and duties	3,749	3,831	2.2
Total tax revenues	12,246	12,551	2.5
Employment insurance premiums	1,771	1,697	-4.2
Other revenues	937	943	0.6
Total budgetary revenues	14,954	15,191	1.6

Table 3

Budgetary expenses

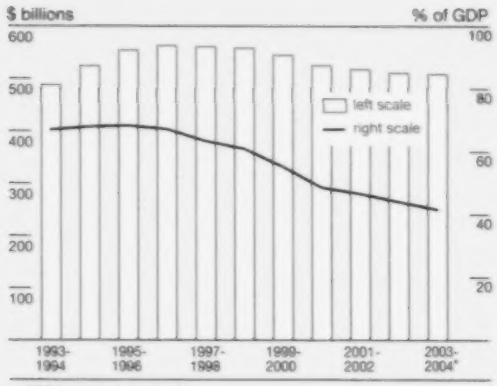
	April		
	2003	2004	Change
	($ millions)		(%)
Transfer payments			
Transfers to persons			
Elderly benefits	2,201	2,281	3.6
Employment insurance benefits	1,431	1,390	-2.9
Total	3,632	3,671	1.1
Transfers to other levels of government			
Support for health and other social programs			
Canada Health Transfer		1,054	
Canada Social Tranfer		652	
Health Reform Transfer		125	
Canada Health and Social Transfer	1,692	8	
Total	1,692	1,839	8.7
Fiscal transfers	748	815	9.0
Alternative Payments for Standing Programs	-191	-253	32.5
Total	2,249	2,401	6.8
Subsidies and other transfers			
Agriculture	4	12	200.0
Foreign Affairs	199	171	-14.1
Health	95	128	34.7
Human Resources Development	132	148	12.1
Indian and Northern Development	600	630	5.0
Industry and Regional Development	89	118	32.6
Other	200	218	9.0
Total	1,319	1,425	8.0
Total transfer payments	7,200	7,497	4.1
Other program expenses			
Crown corporation expenses			
Canadian Broadcasting Corporation	178	214	20.2
Canada Mortgage and Housing Corporation	205	144	-29.8
Other	257	283	10.1
Total	640	641	0.2
Defence	786	749	-4.7
All other departments and agencies	2,513	2,697	7.3
Total other program expenses	3,939	4,087	3.8
Total program expenses	11,139	11,584	4.0
Public debt charges	2,822	2,819	-0.1
Total budgetary expenses	13,961	14,403	3.2

Budgetary balance



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Net financing activities down $7.9 billion

With this financial requirement of $4.1 billion, the Government reduced its net financing activities by $7.9 billion and its cash balances by $12.0 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of April stood at $5.3 billion.

Table 4

Budgetary balance and financial source/requirement

	April	
	2003	2004
	($ millions)	
Budgetary balance (deficit/surplus)	993	788
Non-budgetary transactions		
Capital investing activities	-45	-148
Amortization of tangible capital assets	349	272
Other investing activities	-313	145
Pensions and other accounts	402	-578
Accounts payable, receivables, accruals and allowances	-5,737	-5,169
Foreign exchange activities	-106	610
Total non-budgetary transactions	-5,450	-4,868
Net financial source/requirement	-4,457	-4,080

Table 5

Financial source/requirement and net financing activities

	April	
	2003	2004
	($ millions)	
Net financial source/requirement	-4,457	-4,080
Net increase (+)/decrease (-) in financing activities		
Canadian currency borrowings		
Marketable bonds	-1,054	-2,818
Treasury bills	-3,500	-3,800
Canada Savings Bonds	-94	-9
Other	0	-25
Total	-4,648	-6,652
Foreign currency borrowings	-51	-1,249
Net change in financing activities	-4,699	-7,901
Change in cash balance	-9,156	-11,981

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July 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

May 2004: budgetary surplus of $1.0 billion

There was a budgetary surplus of $1.0 billion in May 2004, up $79 million from the surplus reported in the same period last year, as higher budgetary revenues more than offset the increase in total expenses. On a year-over-year basis, budgetary revenues were up $0.5 billion as strong gains in personal income tax revenues and goods and services taxes more than offset declines in most other revenue components. Program expenses increased by $0.4 billion, primarily reflecting higher transfer payments, while public debt charges were virtually unchanged.

April 2004 to May 2004: budgetary surplus of $1.8 billion

For the first two months of the 2004-05 fiscal year (April and May), the budgetary surplus is estimated at $1.8 billion, down $125 million from the surplus reported in the same period a year ago. Budgetary revenues were up $0.7 billion or 2.5 per cent, due largely to the strength of personal income taxes. Program expenses were up $0.9 billion, or 4.0 per cent, primarily due to new spending initiatives announced in recent budgets. Public debt charges were down marginally.

May 2004: budgetary results

The May 2004 budgetary surplus of $1.0 billion was slightly higher than that reported in May 2003.

On a year-over-year basis, budgetary revenues, at $15.2 billion, were up $0.5 billion, or 3.4 per cent. Strong year-over-year increases in personal income tax and the goods and services tax (GST) revenues more than offset declines in corporate income tax revenues, sales and excise taxes, employment insurance premiums and other revenues.

- Personal income tax revenues were up $0.9 billion or 15.1 per cent, primarily due to strong year-over-year growth in source deductions from employment income, reflecting, in part, strong gains in employment over the past twelve months.
- Corporate income tax revenues declined by $0.1 billion on a year-over-year basis, primarily reflecting higher refunds related to reassessments of tax liabilities in previous years.
- Excise taxes and duties increased by $0.1 billion, or 4.5 per cent. Goods and Services Tax (GST) advanced by $0.3 billion, or 14.7 per cent. The higher GST revenues reflected higher gross receipts from both domestic sales and imports. Customs import duties were up 8.6 per cent, while sales and excise taxes declined by 20.1 per cent, primarily attributable to lower energy excise taxes.
- Employment insurance (EI) premiums were down 5.2 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were down $0.5 billion, or 33.1 per cent. This component is extremely volatile on a monthly basis.

On a year-over-year basis, program expenses in May 2004 were $11.2 billion, up $0.4 billion, or 4.1 per cent, from May 2003, due to higher transfer payments, as other program expenses were lower.

Transfer payments were $0.5 billion higher, with increases in the three major components.

- Major transfers to persons, consisting of elderly and EI benefits, were up $0.2 billion, or 6.3 per cent, on a year-over-year basis. Elderly benefits increased 3.5 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefit payments were up 12.0 per cent, mainly because of one more payment cycle in May 2004 compared to last year.
- Major transfers to other levels of government, consisting of the federal transfers in support of health and other social programs (Canada Health Transfer, Canada Social Transfer and Medical Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs were up $0.3 billion, or 10.3 per cent. The increase in federal transfers in support of health and other social transfers reflected increased funding under the February 2003 Health Accord. Fiscal transfers consist of Equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 17.0 per cent from May 2003.
- Subsidies and other transfers increased marginally. This component is extremely volatile over the first few months of the fiscal year, reflecting the timing of payments.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defense. All major components were lower than in May 2003, reflecting the timing of payments.

Public debt charges were down marginally, as a lower stock of interest-bearing debt offset the impact of an increase in the average effective interest rate on that debt.

April and May 2004: budgetary results

In the first two months of the fiscal year, there was a budgetary surplus of $1.8 billion, slightly less than the $1.9 billion surplus reported in the same period of 2003–04, as higher program expenses offset an increase in budgetary revenues. On a year-over-year basis, budgetary revenues, at $30.4 billion, were up $0.7 billion, or 2.5 per cent, as higher personal income tax and GST revenues more than offset declines in most of the other major revenue components. On a year-over-year basis, program expenses in the April and May 2004 period, at $22.7 billion, were up $0.9 billion, or 4.0 per cent, over the same period of 2003–04, with most of the increase attributable to higher transfers, especially for health care. Public debt charges were marginally lower.

Revenues and expenses
(April-May 2004)

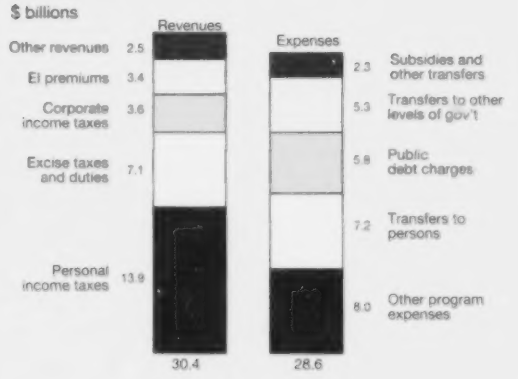


Table 1

Summary statement of transactions

	May		April to May	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	14,691	15,197	29,644	30,388
Expenses				
Program expenses	-10,754	-11,198	-21,860	-22,745
Public debt charges	-2,985	-2,968	-5,840	-5,824
Budgetary balance (deficit/surplus)	952	1,031	1,944	1,819
Non-budgetary transactions	1,127	343	-4,324	-4,525
Financial source/requirement	2,079	1,374	-2,380	-2,706
Net change in financing activities	7,369	9,028	2,672	1,127
Net change in cash balances	9,448	10,402	292	-1,579
Cash balance at end of period			14,994	15,747

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	May			April to May		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenue						
Income taxe						
Personal income tax	6,015	6,925	15.1	12,351	13,916	12.7
Corporate income tax	2,180	2,095	-3.9	4,053	3,577	-11.7
Other income tax revenue	212	321	51.4	500	568	13.6
Total income tax	8,407	9,341	11.1	16,904	18,061	6.8
Excise taxes and duties						
Goods and services tax	2,033	2,332	14.7	4,761	5,120	7.5
Customs import duties	209	227	8.6	453	462	2.0
Sales and excise taxes	793	634	-20.1	1,526	1,410	-7.6
Air Travellers Security Charge	50	31	-38.0	95	65	-31.6
Total excise taxes and duties	3,085	3,224	4.5	6,835	7,057	3.2
Total tax revenues	11,492	12,565	9.3	23,739	25,118	5.8
Employment insurance premiums	1,762	1,671	-5.2	3,533	3,368	-4.7
Other revenues	1,437	961	-33.1	2,372	1,902	-19.8
Total budgetary revenues	14,691	15,197	3.4	29,644	30,388	2.5

Table 3

Budgetary expenses

	May			April to May		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,208	2,286	3.5	4,409	4,567	3.6
Employment insurance benefits	1,083	1,213	12.0	2,514	2,602	3.5
Total	3,291	3,499	6.3	6,923	7,169	3.6
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			2,108	
Canada Social Transfer		652			1,304	
Health Reform Transfer		125			250	
Canada Health and Social Transfer	1,691	8		3,384	16	
Total	1,691	1,839	8.8	3,384	3,678	8.7
Fiscal transfers	1,036	1,212	17.0	1,784	2,152	20.6
Alternative Payments for Standing Programs	-191	-253	32.5	-382	-506	32.5
Total	2,536	2,798	10.3	4,786	5,324	11.2
Subsidies and other transfers						
Agriculture	3	47	1,466.7	8	59	637.5
Foreign Affairs	98	164	67.3	297	335	12.8
Health	151	159	5.3	246	286	16.3
Human Resources Development	100	155	55.0	232	303	30.6
Indian and Northern Development	309	299	-3.2	909	929	2.2
Industry and Regional Development	91	115	26.4	181	232	28.2
Other	220	64	-70.9	420	155	-63.1
Total	972	1,003	3.2	2,293	2,299	0.3
Total transfer payments	6,799	7,300	7.4	14,002	14,792	5.6
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	87	87	0.0	265	301	13.6
Canada Mortgage and Housing Corporation	213	216	1.4	418	360	-13.9
Other	166	108	-34.9	426	390	-8.5
Total	466	411	-11.8	1,109	1,051	-5.2
Defence	866	891	2.9	1,652	1,641	-0.7
All other departments and agencies	2,623	2,596	-1.0	5,097	5,261	3.2
Total other program expenses	3,955	3,898	-1.4	7,858	7,953	1.2
Total program expenses	10,754	11,198	4.1	21,860	22,745	4.0
Public debt charges	2,985	2,968	-0.6	5,840	5,824	-0.3
Total budgetary expenses	13,739	14,166	3.1	27,700	28,569	3.1

Financial requirement of $2.7 billion for April and May 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets, its loans, financial investments and advances, and pensions and other accounts, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

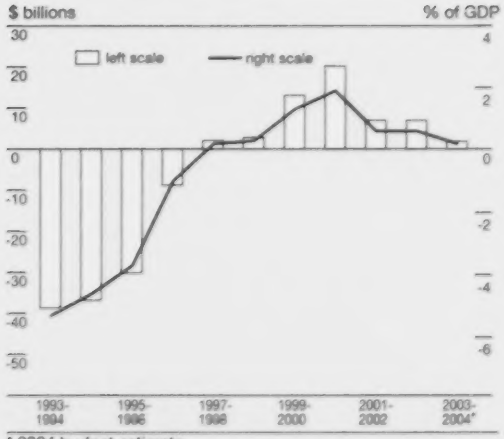
Non-budgetary transactions resulted in a net requirement of $4.5 billion in April and May, up $0.2 billion from the requirement in the same period of 2003–04, primarily reflecting a lower net source of funds from pensions and other accounts.

With a budgetary surplus of $1.8 billion and a net requirement of $4.5 billion from non-budgetary transactions, there was a financial requirement of $2.7 billion in the first two months of 2004-05, up slightly from the same period last year.

Net financing activities up $1.1 billion

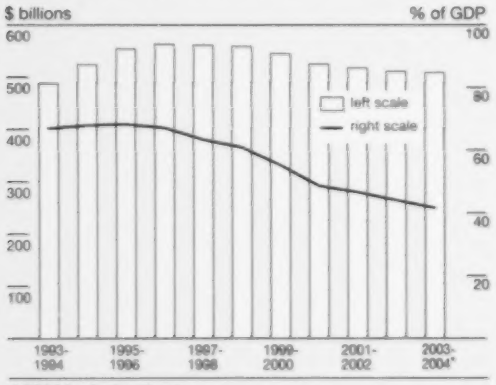
To finance this net financial requirement, the Government increased its net financing activities by $1.1 billion and reduced its cash balances by $1.6 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of May stood at $15.7 billion.

Budgetary balance



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Table 4

Budgetary balance and financial source/requirement

	May		April to May	
	2003	2004	2003–04	2004–05
		($ millions)		
Budgetary balance (deficit/surplus)	952	1,031	1,944	1,819
Non-budgetary transactions				
Capital investing activities	-203	-90	-249	-238
Other investing activities	-11	8	-324	153
Pension and other accounts	412	764	813	184
Other activities				
Accounts payable, receivables, accruals and allowances	883	518	-4,853	-4,651
Foreign exchange activities	-106	-1,106	-212	-495
Amortization of tangible capital assets	152	249	501	522
Total other activities	929	-339	-4,564	-4,624
Total non-budgetary transactions	1,127	343	-4,324	-4,525
Net financial source/requirement	2,079	1,374	-2,380	-2,706

Table 5

Financial source/requirement and net financing activities

	May		April to May	
	2003	2004	2003–04	2004–05
		($ millions)		
Net financial source/requirement	2,079	1,374	-2,380	-2,706
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transaction				
Canadian currency borrowings				
Marketable bonds	1,693	4,974	641	2,156
Treasury bills	6,000	3,800	2,500	0
Canada Savings Bonds	-138	-38	-232	-47
Other	-5	17	-5	-8
Total	7,550	8,753	2,904	2,101
Foreign currency borrowings	-181	275	-232	-974
Net change in financing activities	7,369	9,028	2,672	1,127
Change in cash balance	9,448	10,402	292	-1,579

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July 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

June 2004: budgetary surplus of $1.1 billion

There was a budgetary surplus of $1.1 billion in June 2004, $0.6 billion lower than the surplus of $1.7 billion reported in June 2003. This year-over-year decline in the budgetary surplus primarily reflects the timing of revenue collections over the first three months of this year compared to the same period last year. On a year-over-year basis, budgetary revenues were down $0.3 billion, while program expenses increased by $0.4 billion, primarily reflecting higher transfer payments to the provinces and territories. Public debt charges were $0.1 billion lower.

April to June 2004: budgetary surplus of $2.9 billion

For the first three months of the 2004–05 fiscal year (April to June), the budgetary surplus is estimated at $2.9 billion, down $0.7 billion from the surplus reported in the same period last year. Budgetary revenues were up $0.5 billion, or 1.0 per cent, as increases in personal income tax and goods and services tax (GST) revenues were dampened by declines in corporate income tax revenues, employment insurance (EI) premiums and other revenues. Program expenses were up $1.3 billion, or 4.1 per cent, primarily due to higher transfers to the provinces for health and equalization. Public debt charges were $0.1 billion lower.

June 2004: budgetary results

The June 2004 budgetary surplus of $1.1 billion was $0.6 billion lower than that reported in June 2003.

On a year-over-year basis, budgetary revenues, at $15.1 billion, were down $0.3 billion, or 1.8 per cent. This decline primarily reflects timing factors with respect to the receipt of revenues over the first three months of 2004–05 compared to the same period last year.

- Personal income tax revenues were down $0.5 billion, or 6.2 per cent, offsetting about half of the year-over-year increase reported in May 2004. This primarily reflects the timing of receipts between May and June of this year compared to May and June of last year.
- Corporate income tax revenues increased by $0.3 billion on a year-over-year basis, reflecting both strong growth in gross receipts and lower refunds related to reassessments of tax liabilities in previous years.
- Excise taxes and duties declined by $90 million, or 2.7 per cent. GST revenues were down $147 million, or 6.4 per cent, reversing some of the year-over-year increase reported in May 2004. Customs import duties were unchanged, while sales and excise taxes increased by 7.6 per cent, offsetting some of the year-over-year decline reported last month.
- EI premiums were down 6.1 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were down $0.1 billion, or 8.0 per cent. This component is extremely volatile on a monthly basis.

On a year-over-year basis, program expenses in June 2004 were $11.2 billion, up $0.4 billion, or 4.1 per cent, from June 2003 due entirely to higher transfer payments, as other program expenses were marginally lower.

Transfer payments were $0.5 billion higher, with increases in the three major components.

- Major transfers to persons, consisting of elderly and EI benefits, were up $19 million,

or 0.6 per cent, on a year-over-year basis. Elderly benefits increased 2.9 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefit payments declined 4.3 per cent, reflecting the timing of payments between May and June. As noted in the May 2004 *Fiscal Monitor*, the large year-over-year increase reported in May 2004 was attributable to the inclusion of one more payment cycle in May 2004 compared to last year.

- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer, Canada Social Transfer and Health Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs, were up $0.3 billion, or 11.0 per cent. The increase in federal transfers in support of health and other social programs reflects increased funding under the February 2003 Health Accord. Fiscal transfers consist of equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 19.8 per cent from June 2003.
- Subsidies and other transfers increased by 17.6 per cent. This component is extremely volatile over the first few months of the fiscal year, reflecting the timing of payments.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. On a year-over-year basis, these expenses were marginally lower, as increases in Crown corporation expenses were offset by lower defence and all other departmental and agency expenses. This component is also quite volatile over the first few months of the fiscal year, reflecting the timing of payments and the coming into force of budget measures.

Public debt charges were down 4.1 per cent, as a smaller stock of interest-bearing debt more than offset the impact of an increase in the average effective interest rate on that debt.

April to June 2004: budgetary results

In the first three months of the fiscal year, there was a budgetary surplus of $2.9 billion, down $0.7 billion from the surplus of $3.7 billion reported in the same period of 2003–04.

Budgetary revenues, at $45.5 billion, were up $0.5 billion, or 1.0 per cent, as increases in personal income tax and GST revenues were dampened by declines in corporate income tax revenues, EI premiums and other revenues.

- Personal income tax revenues increased by $1.1 billion, or 5.6 per cent. The year-over-year increase is primarily due to the strong growth in source deductions from employment income, reflecting, in part, strong gains in employment over the past 12 months.
- Corporate income tax revenues were down 2.2 per cent. Although monthly installments were higher on a year-over-year basis, the increase was not sufficient to offset higher refunds related to reassessments of tax liabilities in previous years.
- Excise taxes and duties increased $0.1 billion, or 1.3 per cent. GST revenues increased $0.2 billion, or 3.0 per cent, due to higher gross receipts from domestic sales and lower refunds. Sales and excise taxes declined by 2.3 per cent, primarily due to lower energy taxes.
- EI premiums were down 5.2 per cent, reflecting the reduction in premium rates.
- Other revenues declined 16.1 per cent.

On a year-over-year basis, program expenses in the April to June 2004 period, at $33.9 billion, were up $1.3 billion, or 4.1 per cent, over the same period of 2003–04, with most of the increase attributable to higher transfers to the provinces for health care and equalization. Public debt charges declined by $0.1 billion.

Transfer payments, which accounted for nearly two-thirds of total program expenses, increased by $1.3 billion, or 6.1 per cent.

Revenues and expenses
(April-June 2004)

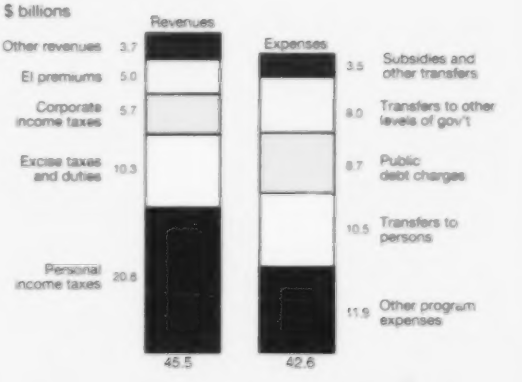


Table 1

Summary statement of transactions

	June		April to June	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	15,431	15,147	45,075	45,535
Expenses				
Program expenses	-10,755	-11,201	-32,614	-33,946
Public debt charges	-2,965	-2,842	-8,806	-8,666
Budgetary balance (deficit/surplus)	1,711	1,104	3,655	2,923
Non-budgetary transactions	-8,882	-5,596	-13,207	-10,126
Financial source/requirement	-7,171	-4,492	-9,552	-7,198
Net change in financing activities	-3,201	-8,917	-530	-7,789
Net change in cash balances	-10,372	-13,409	-10,082	-14,987
Cash balance at end of period			4,621	2,264

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	June			April to June		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenue						
Income taxes						
Personal income tax	7,348	6,894	-6.2	19,699	20,810	5.6
Corporate income tax	1,778	2,125	19.5	5,831	5,702	-2.2
Other income tax revenue	165	267	61.8	665	835	25.6
Total income tax	9,291	9,286	-0.1	26,195	27,347	4.4
Excise taxes and duties						
Goods and services tax	2,312	2,165	-6.4	7,073	7,285	3.0
Customs import duties	216	216	0.0	669	677	1.2
Sales and excise taxes	819	881	7.6	2,345	2,290	-2.3
Air Travellers Security Charge	36	31	-13.9	132	96	-27.3
Total excise taxes and duties	3,383	3,293	-2.7	10,219	10,348	1.3
Total tax revenues	12,674	12,579	-0.7	36,414	37,695	3.5
Employment insurance premiums	1,708	1,603	-6.1	5,241	4,971	-5.2
Other revenues	1,049	965	-8.0	3,420	2,869	-16.1
Total budgetary revenues	15,431	15,147	-1.8	45,075	45,535	1.0

Table 3

Budgetary expenses

	June			April to June		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,224	2,288	2.9	6,633	6,855	3.3
Employment insurance benefits	1,058	1,013	-4.3	3,571	3,615	1.2
Total	3,282	3,301	0.6	10,204	10,470	2.6
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			3,163	
Canada Social Transfer		652			1,956	
Health Reform Transfer		125			375	
Canada Health and Social Transfer	1,691	8		5,075	25	
Total	1,691	1,839	8.8	5,075	5,519	8.7
Fiscal transfers	893	1,070	19.8	2,677	3,221	20.3
Alternative Payments for Standing Programs	-191	-253	32.5	-573	-759	32.5
Total	2,393	2,656	11.0	7,179	7,981	11.2
Subsidies and other transfers						
Agriculture	12	65	441.7	19	124	552.6
Foreign Affairs	137	241	75.9	435	576	32.4
Health	80	89	11.3	326	375	15.0
Human Resources Development	110	100	-9.1	341	404	18.5
Indian and Northern Development	343	283	-17.5	1,252	1,212	-3.2
Industry and Regional Development	148	152	2.7	329	384	16.7
Other	226	312	38.1	645	471	-27.0
Total	1,056	1,242	17.6	3,347	3,546	5.9
Total transfer payments	6,731	7,199	7.0	20,730	21,997	6.1
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	102	71	-30.4	366	372	1.6
Canada Mortgage and Housing Corporation	152	195	28.3	570	555	-2.6
Other	120	180	50.0	546	572	4.8
Total	374	446	19.3	1,482	1,499	1.1
Defence	901	856	-5.0	2,552	2,499	-2.1
All other departments and agencies	2,749	2,700	-1.8	7,850	7,951	1.3
Total other program expenses	4,024	4,002	-0.5	11,884	11,949	0.5
Total program expenses	10,755	11,201	4.1	32,614	33,946	4.1
Public debt charges	2,965	2,842	-4.1	8,806	8,666	-1.6
Total budgetary expenses	13,720	14,043	2.4	41,420	42,612	2.9

- Transfers to persons advanced by 2.6 per cent. Elderly benefits were up 3.3 per cent while EI benefits increased 1.2 per cent. Within EI benefits, regular benefit payments were lower, reflecting the improved labour market situation, while special benefits, such as sickness, maternity and paternal benefits, were higher.
- Transfers to other levels of government were up $0.8 billion, or 11.2 per cent, reflecting higher transfers in support of health and other social programs and increased fiscal transfers. The latter primarily reflects the impact on the 2003–04 results of recoveries related to overpayments in previous years under the equalization program.
- Subsidies and other transfers increased by 5.9 per cent.

Other program expenses increased by 0.5 per cent, as lower year-over-year defence expenses largely offset increases in the two other components.

Public debt charges were down 1.6 per cent, as the impact of a decline in the stock of interest-bearing debt more than offset an increase in the average effective interest rate on that debt.

Financial requirement of $7.2 billion for April to June 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

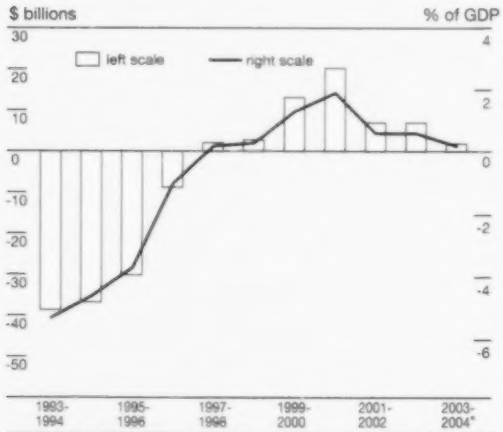
Non-budgetary transactions resulted in a net requirement of $10.1 billion in the April to June period, down $3.1 billion from the requirement in the same period of 2003–04. The decline is primarily attributable to the cash transfers to trust funds established in the 2003 budget for the Canada Health and Social Transfer cash supplement ($2.5 billion) and the Diagnostic/Medical Equipment Fund ($1.5 billion).

With a budgetary surplus of $2.9 billion and a net requirement of $10.1 billion from non-budgetary transactions, there was a financial requirement of $7.2 billion in the first three months of 2004–05, down $2.4 billion from the same period last year.

Net financing activities down $7.8 billion

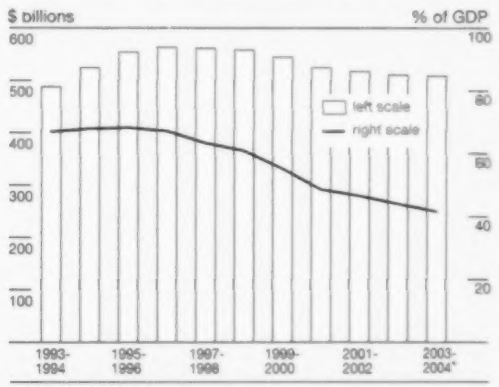
The Government lowered its holdings of market debt by $7.8 billion by the end of June 2004. As a result, to finance the financial requirement of $7.2 billion, it lowered its cash balances. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of June stood at $2.3 billion.

Budgetary balance



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Table 4

Budgetary balance and financial source/requirement

	June		April to June	
	2003	2004	2003–04	2004–05
		($ millions)		
Budgetary balance (deficit/surplus)	1,711	1,104	3,655	2,923
Non-budgetary transactions				
Capital investing activities	-170	-134	-420	-373
Other investing activities	-121	-275	-445	-122
Pension and other accounts	-24	-80	791	105
Other activities				
Accounts payable, receivables, accruals and allowances	-9,253	-6,004	-14,106	-10,649
Foreign exchange activities	420	671	207	175
Amortization of tangible capital assets	266	226	766	743
Total other activities	-8,567	-5,107	-13,133	-9,731
Total non-budgetary transactions	-8,882	-5,596	-13,207	-10,121
Net financial source/requirement	-7,171	-4,492	-9,552	-7,198

Table 5

Financial source/requirement and net financing activities

	June		April to June	
	2003	2004	2003–04	2004–05
		($ millions)		
Net financial source/requirement	-7,171	-4,492	-9,552	-7,198
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-3,705	-9,867	-3,065	-7,710
Treasury bills	400	800	2,900	800
Canada Savings Bonds	-158	-75	-390	-122
Other	182	-6	177	-14
Total	-3,281	-9,148	-378	-7,046
Foreign currency borrowings	80	231	-152	-743
Net change in financing activities	-3,201	-8,917	-530	-7,789
Change in cash balance	-10,372	-13,409	-10,082	-14,987

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August 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

July 2004: budgetary surplus of $1.4 billion

There was a budgetary surplus of $1.4 billion in July 2004, compared to a surplus of $12 million in July 2003. This year-over-year improvement in the budgetary surplus is attributable to strong growth in budgetary revenues, up $1.5 billion or 10.3 per cent, primarily reflecting higher corporate income taxes and excise taxes and duties. Total budgetary expenses were up $0.1 billion, as slightly higher program expenses offset a decline in public debt charges.

April to July 2004: budgetary surplus of $4.4 billion

For the first four months of the 2004–05 fiscal year (April to July), the budgetary surplus is estimated at $4.4 billion, up $0.7 billion from the surplus reported in the same period last year. Budgetary revenues were up $2.0 billion or 3.3 per cent, reflecting gains in most major components. The strength in budgetary revenues reflects the strong growth in the economy witnessed during the first half of 2004. Statistics Canada reported that nominal income, the applicable tax base for federal revenues, increased by 6.7 per cent in the seond quarter of 2004 compared to the same period last year. Program expenses were up $1.5 billion, or 3.4 per cent, primarily due to higher transfer payments, reflecting the impact of previous budget measures. Public debt charges were $0.2 billion lower.

July 2004: budgetary results

The July 2004 budgetary surplus is estimated at $1.4 billion, compared to a surplus of $12 million in July 2003.

On a year-over-year basis, budgetary revenues, at $16.1 billion, were up $1.5 billion, or 10.3 per cent. This increase is primarily attributable to a $0.7-billion increase in corporate income tax revenues and a $0.8-billion increase in excise taxes and duties.

- Personal income tax revenues were up $0.1 billion, or 1.5 per cent, primarily reflecting higher deductions from employment income.
- Corporate income tax revenues increased by $0.7 billion, or 62.4 per cent, reflecting both strong growth in gross receipts and lower refunds related to reassessments of tax liabilities in previous years.
- Excise taxes and duties increased $0.8 billion, or 25.9 per cent, with all components higher. Goods and services tax (GST) revenues were up $0.5 billion, or 20.9 per cent, due to higher GST levied at customs and lower refunds. Customs import duties advanced by $0.1 billion, while sales and excise taxes increased by $0.2 billion.
- Employment insurance (EI) premiums were down 11.3 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were up 7.9 per cent. This component is extremely volatile on a monthly basis.

Program expenses in July 2004 were $11.6 billion, up $0.2 billion, or 1.4 per cent, from July 2003. Both transfer payments and other program expenses were marginally higher.

Transfer payments were up $0.1 billion, or 1.8 per cent.

- Major transfers to persons, consisting of elderly and EI benefits, were up marginally on a year-over-year basis, as higher elderly benefits were virtually offset by lower EI benefits. Elderly benefits increased 2.7 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefit payments declined 5.3 per cent, reflecting lower regular benefit payments, attributable to the improved labour market situation.

- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer, Canada Social Transfer and Health Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs, were up $0.2 billion, or 8.1 per cent. The increase in federal transfers in support of health and other social programs reflects increased funding under the February 2003 First Ministers' Accord on Health Care Renewal. Fiscal transfers consist of equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 7.3 per cent from July 2003.
- Subsidies and other transfers declined by 5.8 per cent. This component is extremely volatile on a monthly basis, reflecting the timing of payments.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. On a year-over-year basis, these expenses were up 0.9 per cent, as a decline in Crown corporation expenses was more than offset by higher defence and all other departmental and agency expenses. This component is also quite volatile on a monthly basis, reflecting the timing of payments and the coming into force of budget measures.

Public debt charges were down 2.5 per cent, as a lower stock of interest-bearing debt more than offset an increase in the average effective interest rate on that debt.

April to July 2004: budgetary results

In the first four months of the fiscal year, there was a budgetary surplus of $4.4 billion, up $0.7 billion from the surplus of $3.7 billion reported in the same period of 2003–04.

Budgetary revenues, at $61.6 billion, were up $2.0 billion, or 3.3 per cent, reflecting strong gains in most components of tax revenues (up 6 per cent), dampened slightly by lower EI premiums and other revenues.

- Personal income tax revenues increased by $1.2 billion, or 4.5 per cent. The year-over-year increase is primarily attributable to the strong growth in source deductions from employment income, reflecting, in part, gains in employment over the past 12 months.
- Corporate income tax revenues were up $0.6 billion, or 8.6 per cent, reflecting strong gains in monthly installments due to higher corporate profits.
- Excise taxes and duties increased by $1.0 billion, or 7.2 per cent. GST revenues increased by $0.7 billion, or 7.3 per cent, due to higher gross receipts from domestic sales and at customs as well as lower refunds. Customs import duties advanced by 13.2 per cent, reflecting strong growth in dutiable imports. Sales and excise taxes increased by 5.8 per cent due to higher excise revenues on tobacco and alcohol products, as energy tax revenues were lower.
- EI premiums were down 6.6 per cent, reflecting the reduction in premium rates.
- Other revenues declined by 11.2 per cent.

On a year-over-year basis, program expenses in the April to July 2004 period, at $45.6 billion, were up $1.5 billion, or 3.4 per cent, over the same period of 2003–04, with most of the increase attributable to higher transfer payments. Public debt charges declined by $0.2 billion.

Transfer payments, which accounted for nearly two-thirds of total program expenses, increased by $1.4 billion, or 5.0 per cent.

- Transfers to persons advanced by $0.3 billion, or 2.0 per cent. Elderly benefits were up 3.2 per cent while EI benefits were marginally lower. Within EI benefits, regular benefit payments were lower, reflecting the improved labour market situation, while special benefits, such as sickness, maternity and paternal benefits, were higher.
- Transfers to other levels of government were up $0.6 billion, or 6.5 per cent, reflecting higher transfers in support of health and other social programs, due to recent budget measures, and increased fiscal transfers. The latter primarily reflects the impact of recoveries in 2003–04 related to overpayments in previous years under the equalization program, which depressed

Revenues and expenses
(April-July 2004)

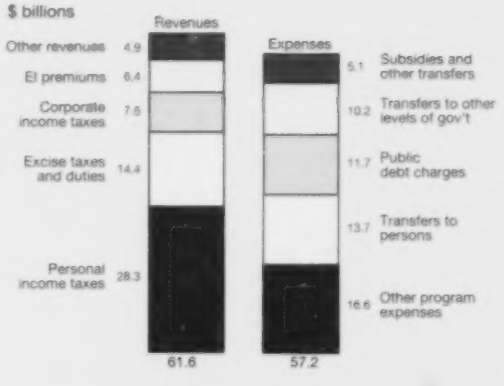


Table 1

Summary statement of transactions

	July		April to July	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	14,561	16,063	59,636	61,600
Expenses				
Program expenses	-11,441	-11,604	-44,055	-45,553
Public debt charges	-3,108	-3,031	-11,914	-11,696
Budgetary balance (deficit/surplus)	12	1,439	3,667	4,351
Non-budgetary transactions	-2,218	-88	-15,427	-10,209
Financial source/requirement	-2,206	1,340	-11,760	-5,858
Net change in financing activities	988	821	458	-6,967
Net change in cash balances	-1,218	2,161	-11,302	-12,825
Cash balance at end of period			3,395	4,425

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	July			April to July		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenue						
Income taxes						
Personal income tax	7,345	7,453	1.5	27,045	28,265	4.5
Corporate income tax	1,169	1,899	62.4	7,000	7,600	8.6
Other income tax revenue	317	266	-16.1	982	1,101	12.1
Total income tax	8,831	9,618	8.9	35,027	36,966	5.5
Excise taxes and duties						
Goods and services tax	2,257	2,728	20.9	9,330	10,013	7.3
Customs import duties	210	317	51.0	879	995	13.2
Sales and excise taxes	726	960	32.2	3,072	3,250	5.8
Air Travellers Security Charge	15	35	133.3	147	131	-10.9
Total excise taxes and duties	3,208	4,040	25.9	13,428	14,389	7.2
Total tax revenues	12,039	13,658	13.4	48,455	51,355	6.0
Employment insurance premiums	1,652	1,466	-11.3	6,893	6,438	-6.6
Other revenues	870	939	7.9	4,288	3,807	-11.2
Total budgetary revenues	14,561	16,063	10.3	59,636	61,600	3.3

Table 3

Budgetary expenses

	July			April to July		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,214	2,273	2.7	8,847	9,127	3.2
Employment insurance benefits	1,036	981	-5.3	4,607	4,597	-0.2
Total	3,250	3,254	0.1	13,454	13,724	2.0
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			4,217	
Canada Social Transfer		652			2,608	
Health Reform Transfer		125			500	
Canada Health and Social Transfer	1,691			6,766	25	
Total	1,691	1,831	8.3	6,766	7,350	8.6
Fiscal transfers	879	943	7.3	3,555	3,790	6.6
Alternative Payments for Standing Programs	-211	-225	6.6	-784	-984	25.5
Total	2,359	2,549	8.1	9,537	10,156	6.5
Subsidies and other transfers						
Agriculture	27	29	7.4	46	153	232.6
Foreign Affairs	159	151	-5.0	593	727	22.6
Health	191	233	22.0	517	608	17.6
Human Resources Development	85	88	3.5	427	492	15.2
Indian and Northern Development	312	340	9.0	1,564	1,552	-0.8
Industry and Regional Development	128	110	-14.1	457	494	8.1
Other	362	240	-33.7	1,004	1,084	8.0
Total	1,264	1,191	-5.8	4,608	5,110	10.9
Total transfer payments	6,873	6,994	1.8	27,599	28,990	5.0
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	51	94	84.3	417	466	11.8
Canada Mortgage and Housing Corporation	166	170	2.4	737	725	-1.6
Other	192	122	-36.5	737	695	-5.7
Total	409	386	-5.6	1,891	1,886	-0.3
Defence	1,021	1,070	4.8	3,576	3,568	-0.2
All other departments and agencies	3,138	3,154	0.5	10,989	11,109	1.1
Total other program expenses	4,568	4,610	0.9	16,456	16,563	0.7
Total program expenses	11,441	11,604	1.4	44,055	45,553	3.4
Public debt charges	3,108	3,031	-2.5	11,914	11,696	-1.8
Total budgetary expenses	14,549	14,635	0.6	55,969	57,249	2.3

spending last year. Misclassifications between fiscal transfers and subsidies and other transfers resulted in an overstatement of fiscal transfers in the April to June 2004 period of $374 million and an understatement of subsidies and other transfers of a comparable amount. This was corrected in July.

- Subsidies and other transfers increased by $0.5 billion, or 10.9 per cent, primarily reflecting the impact of previous budget measures.

Other program expenses increased by $0.1 billion, or 0.7 per cent, as slightly lower year-over-year Crown corporation and defence expenses were offset by an increase in all other departmental and agency expenses.

Public debt charges were down 1.8 per cent, as a decline in the stock of interest-bearing debt more than offset an increase in the average effective interest rate on that debt.

Financial requirement of $5.9 billion for April to July 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

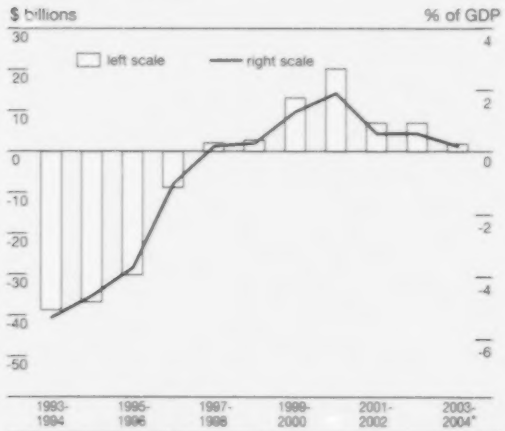
Non-budgetary transactions resulted in a net requirement of $10.2 billion in the April to July period, down $5.2 billion from the requirement in the same period of 2003–04. The decline is primarily attributable to the cash transfers in the April to July 2003 period to trust funds established in the 2003 budget for the Canada Health and Social Transfer cash supplement ($2.5 billion), the Diagnostic/Medical Equipment Fund ($1.5 billion), Canada Health Infoway Corporation ($600 million) and the Canada Foundation for Innovation ($500 million).

With a budgetary surplus of $4.4 billion and a net requirement of $10.2 billion from non-budgetary transactions, there was a financial requirement of $5.9 billion in the first four months of 2004–05, down $5.9 billion from the same period last year.

Net financing activities down $7.0 billion

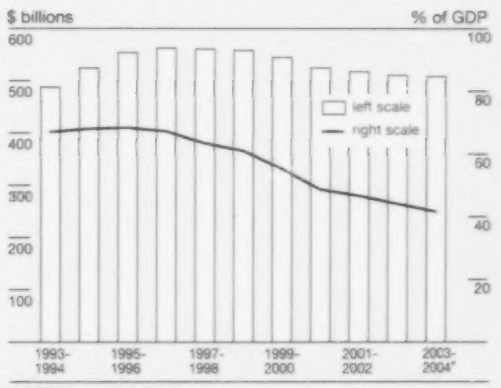
The Government lowered its holdings of market debt by $7.0 billion by the end of July 2004, primarily by reducing its holdings of marketable bonds. As a result, to finance the financial requirement of $5.9 billion, it lowered its cash balances. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of July stood at $4.4 billion.

Budgetary balance



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



* 2004 budget estimate.
Sources: Department of Finance and Statistics Canada.

Table 4

Budgetary balance and financial source/requirement

	July		April to July	
	2003	2004	2003–04	2004–05
		($ millions)		
Budgetary balance (deficit/surplus)	12	1,428	3,667	4,351
Non-budgetary transactions				
Capital investing activities	-216	-6	-636	-379
Other investing activities	44	-309	-400	-431
Pension and other accounts	-709	-721	81	-617
Other activities				
Accounts payable, receivables, accruals and allowances	-1,775	586	-15,884	-10,067
Foreign exchange activities	205	104	412	279
Amortization of tangible capital assets	233	258	1,000	1,006
Total other activities	-1,337	948	-14,472	-8,766
Total non-budgetary transactions	-2,218	-88	-15,427	-10,209
Net financial source/requirement	-2,206	1,340	-11,760	-5,858

Table 5

Financial source/requirement and net financing activities

	July		April to July	
	2003	2004	2003–04	2004–05
		($ millions)		
Net financial source/requirement	-2,206	1,340	-11,760	-5,858
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-1,729	278	-4,794	-7,432
Treasury bills	2,900	1,000	5,800	1,800
Canada Savings Bonds	-99	-61	-489	-183
Other	-2	-5	176	-19
Total	1,070	1,212	693	-5,834
Foreign currency borrowings	-82	-391	-235	-1,133
Net change in financing activities	988	821	458	-6,967
Change in cash balance	-1,218	2,161	-11,302	-12,825

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The Fiscal Monitor

A Publication of the Department of Finance

Highlights

August 2004: budgetary surplus of $306 million

There was a budgetary surplus of $306 million in August 2004, up slightly from the surplus of $103 million recorded in August 2003. Revenues were up $0.7 billion compared to August 2003, while program expenses were up $0.6 billion. Public debt charges were $0.1 billion lower than during the same month last year.

April to August 2004: budgetary surplus of $4.7 billion

For the first five months of the 2004–05 fiscal year (April to August), the budgetary surplus is estimated at $4.7 billion, up $0.9 billion from the surplus reported in the same period last year. Budgetary revenues were up $2.6 billion, or 3.6 per cent, reflecting gains in most major components, consistent with the strong growth in the economy in the first half of 2004. Program expenses were up $2.1 billion, or 3.8 per cent, primarily due to higher transfer payments, reflecting the impact of previous budget measures. Public debt charges were $0.3 billion lower.

August 2004: budgetary results

The August 2004 budgetary surplus is estimated at $306 million, up from $103 million in August 2003.

On a year-over-year basis, budgetary revenues, at $14.6 billion, were up $0.7 billion, or 4.9 per cent. This increase is primarily attributable to a $0.6-billion increase in personal income tax revenues and a $0.4-billion increase in excise taxes and duties, offset somewhat by declines in employment insurance premium revenues and other revenues.

- Personal income tax revenues increased by $0.6 billion, or 10.1 per cent, primarily due to strong growth in source deductions.
- Corporate income tax revenues were up 3.8 per cent, as strong gains in monthly installments were partially offset by an increase in refunds related to prior taxation years.
- Excise taxes and duties increased by $0.4 billion, or 9.8 per cent. This increase reflects strong growth in goods and services tax (GST) revenues, somewhat offset by declines in customs import duties and sales and excise taxes. GST revenues increased $0.6 billion, or about 27 per cent, due to similar growth in gross receipts from both domestic sales and customs. Customs import duties were 11.5 per cent lower due in part to an increase in refunds. Sales and excise taxes declined 21.1 per cent, partly reflecting the ongoing effect of higher energy prices on energy demand. Other excise and sales taxes were generally lower than last year.
- Employment insurance (EI) premiums were down 11.3 per cent, as the reduction in premium rates (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, which consist of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, declined 17.7 per cent. This component is extremely volatile on a monthly basis.

On a year-over-year basis, program expenses in August 2004 were $11.4 billion, up $0.6 billion, or 5.5 per cent, from August 2003. Higher EI benefits and equalization entitlements accounted for most of the increase.

Transfer payments were up $0.5 billion, or 6.9 per cent.

- Major transfers to persons, consisting of elderly and EI benefits, were up strongly on a year-over-year basis. Elderly benefits increased 3.4 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefit payments increased 23.5 per cent, reflecting the timing of payments in August 2004 compared to the same month in 2003. Some of this increase should be reversed in September 2004.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (the Canada Health Transfer, Canada Social Transfer and Health Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs, were up $0.3 billion, or 11.6 per cent. The increase in federal transfers in support of health and other social programs reflects increased funding under the February 2003 First Ministers' Accord on Health Care Renewal. Fiscal transfers consist of equalization entitlements, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 17.5 per cent from August 2003, primarily reflecting the impact of recoveries in 2003–04 of overpayments in previous years.
- Subsidies and other transfers were down 11.6 per cent. This component is extremely volatile on a monthly basis, reflecting the timing of payments. Negative amounts in Agriculture and Human Resources Development for August 2004 reflect corrections to estimates for previous months.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence.

On a year-over-year basis, these expenses were up 3.3 per cent, as a decline in Crown corporation and defence-related expenses was more than offset by higher expenses in all other departments and agencies. This component is also quite volatile on a monthly basis, reflecting the timing of payments and the coming into force of budget measures.

Public debt charges were down 4.0 per cent, as a lower stock of interest-bearing debt more than offset the impact of an increase in the average effective interest rate on that debt.

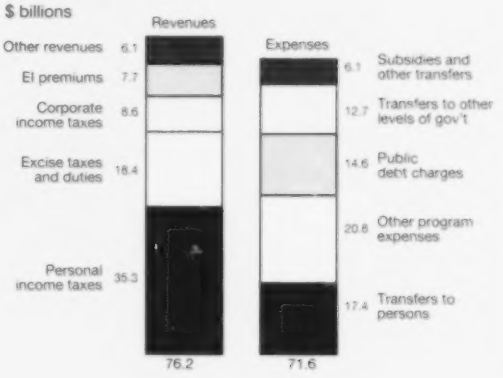
April to August 2004: budgetary results

In the first five months of the fiscal year, there was a budgetary surplus of $4.7 billion, up $0.9 billion from the surplus of $3.8 billion reported in the same period of 2003–04.

Budgetary revenues, at $76.2 billion, were up $2.6 billion, or 3.6 per cent, reflecting strong gains in most components of tax revenue, dampened slightly by lower EI premiums and other revenues. Tax revenues were up 6.6 per cent.

- Personal income tax revenues increased by $1.9 billion, or 5.6 per cent, primarily due to strong growth in source deductions from employment income, reflecting, in part, gains in employment.

Revenues and expenses
(April-August 2004)



- Corporate income tax revenues were up $0.6 billion, or 8.0 per cent, consistent with ongoing strength in corporate profits.
- Excise taxes and duties increased by $1.3 billion, or 7.7 per cent, primarily due to growth in GST revenues, which were up 11.2 per cent. Customs import duties were also up, partially offset by declines in sales and excise taxes and revenues related to the Air Travellers Security Charge.
- EI premiums were down $0.6 billion, or 7.4 per cent.
- Other revenues declined 12.7 per cent.

On a year-over-year basis, program expenses in the April to August 2004 period, at $57.0 billion, were up 3.8 per cent over the same period of 2003–04, with most of the increase attributable to higher transfer payments. Public debt charges were $0.3 billion lower than in the first five months of 2003–04.

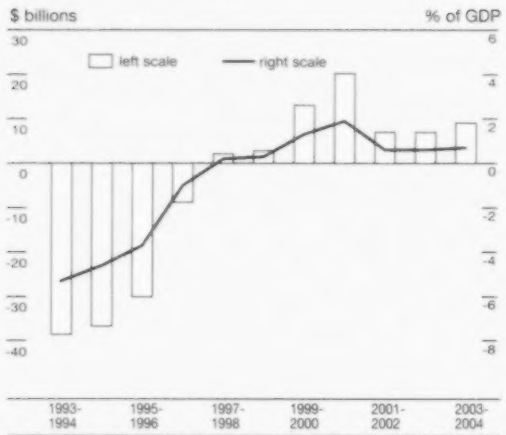
Transfer payments, which accounted for nearly two-thirds of total program expenses, increased by $1.9 billion, or 5.4 per cent.

- Transfers to persons advanced by $0.6 billion, or 3.6 per cent. Elderly benefits were up 3.2 per cent while EI benefits were up 4.3 per cent. Within EI benefits, most of the increase was in special benefits, such as sickness, maternity and parental benefits.
- Transfers to other levels of government were up $0.9 billion, or 7.5 per cent, reflecting higher transfers in support of health and other social programs due to the 2003 health accord, and increased fiscal transfers. The latter primarily reflects the impact on the 2003–04 results of recoveries related to overpayments in previous years under the equalization program.
- Subsidies and other transfers increased by $0.4 billion, or 6.5 per cent, primarily reflecting the impact of previous budget measures.

Other program expenses increased by $0.2 billion, or 1.2 per cent, as lower expenses related to Crown corporations and defence were offset by an increase in all other departmental and agency expenses.

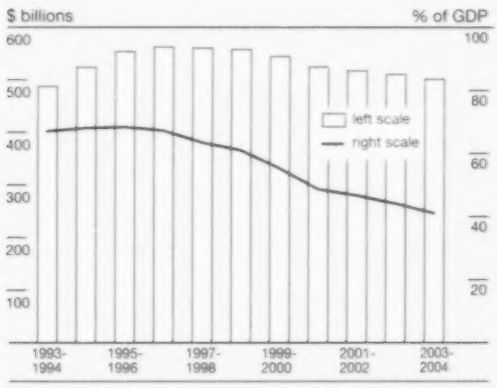
Public debt charges were down $0.3 billion, reflecting the impact of a decline in the stock of interest-bearing debt.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Financial requirement of $4.1 billion for April to August 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $8.8 billion in the April to August period, down $6.9 billion from the requirement in the same period of 2003–04. The decline is primarily attributable to the cash transfers in the April to August 2003 period to trust funds established in the 2003 budget for the Canada Health and Social Transfer cash supplement ($2.5 billion), the Diagnostic/Medical Equipment Fund ($1.5 billion), Canada Health Infoway ($600 million) and the Canada Foundation for Innovation ($500 million).

With a budgetary surplus of $4.7 billion and a net requirement of $8.8 billion from non-budgetary transactions, there was a financial requirement of $4.1 billion in the first five months of 2004–05, down $7.8 billion from the same period last year.

Net financing activities down $4.1 billion

The Government reduced market debt by $4.1 billion by the end of August 2004, largely by reducing its holdings of marketable bonds. As a result, to finance both the reduction in market debt and the financial requirement of $4.1 billion, the Government lowered its cash balances by $8.3 billion. The monthly level of cash balances varies as a result of a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of August stood at $9.0 billion.

Table 1

Summary statement of transactions

	August		April to August	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	13,935	14,617	73,571	76,214
Expenses				
Program expenses	-10,799	-11,398	-54,854	-56,949
Public debt charges	-3,033	-2,913	-14,947	-14,609
Budgetary balance (deficit/surplus)	103	306	3,770	4,656
Non-budgetary transactions	-287	1,407	-15,711	-8,802
Financial source/requirement	-184	1,713	-11,941	-4,146
Net change in financing activities	5,123	2,856	5,580	-4,111
Net change in cash balances	4,939	4,569	-6,361	-8,257
Cash balance at end of period			8,336	8,994

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	August			April to August		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	6,428	7,076	10.1	33,472	35,340	5.6
Corporate income tax	936	972	3.8	7,936	8,572	8.0
Other income tax revenue	197	218	10.7	1,179	1,319	11.9
Total income tax	7,561	8,266	9.3	42,587	45,231	6.2
Excise taxes and duties						
Goods and services tax	2,290	2,906	26.9	11,620	12,919	11.2
Customs import duties	349	309	-11.5	1,228	1,304	6.2
Sales and excise taxes	1,010	797	-21.1	4,080	4,047	-0.8
Air Travellers Security Charge	32	28	-12.5	179	159	-11.2
Total excise taxes and duties	3,681	4,040	9.8	17,107	18,429	7.7
Total tax revenues	11,242	12,306	9.5	59,694	63,660	6.6
Employment insurance premiums	1,475	1,309	-11.3	8,368	7,746	-7.4
Other revenues	1,218	1,002	-17.7	5,509	4,808	-12.7
Total budgetary revenues	13,935	14,617	4.9	73,571	76,214	3.6

Table 3

Budgetary expenses

	August			April to August		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,233	2,310	3.4	11,080	11,437	3.2
Employment insurance benefits	1,075	1,328	23.5	5,682	5,925	4.3
Total	3,308	3,638	10.0	16,762	17,362	3.6
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			5,271	
Canada Social Transfer		652			3,260	
Health Reform Transfer		125			625	
Canada Health and Social Transfer	1,692			8,458	25	
Total	1,692	1,831	8.2	8,458	9,181	8.5
Fiscal transfers	789	927	17.5	4,344	4,717	8.6
Alternative Payments for Standing Programs	-211	-225	6.6	-995	-1,209	21.5
Total	2,270	2,533	11.6	11,807	12,689	7.5
Subsidies and other transfers						
Agriculture	211	-8	-103.8	257	145	-43.6
Foreign Affairs	104	167	60.6	697	894	28.3
Health	99	87	-12.1	616	695	12.8
Human Resources Development	80	-95	-218.8	507	397	-21.7
Indian and Northern Development	313	337	7.7	1,877	1,889	0.6
Industry and Regional Development	187	211	12.8	643	705	9.6
Other	116	282	143.1	1,120	1,366	22.0
Total	1,110	981	-11.6	5,717	6,091	6.5
Total transfer payments	6,688	7,152	6.9	34,286	36,142	5.4
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	74	85	14.9	491	551	12.2
Canada Mortgage and Housing Corporation	172	140	-18.6	909	865	-4.8
Other	178	178	0.0	915	872	-4.7
Total	424	403	-5.0	2,315	2,288	-1.2
Defence	1,117	1,047	-6.3	4,692	4,615	-1.6
All other departments and agencies	2,570	2,796	8.8	13,561	13,904	2.5
Total other program expenses	4,111	4,246	3.3	20,568	20,807	1.2
Total program expenses	10,799	11,398	5.5	54,854	56,949	3.8
Public debt charges	3,033	2,913	-4.0	14,947	14,609	-2.3
Total budgetary expenses	13,832	14,311	3.5	69,801	71,558	2.5

Table 4

Budgetary balance and financial source/requirement

	August		April to August	
	2003	2004	2003–04	2004–05
			($ millions)	
Budgetary balance (deficit/surplus)	103	306	3,770	4,656
Non-budgetary transactions				
Capital investing activities	-135	-27	-771	-406
Other investing activities	-129	-272	-529	-704
Pension and other accounts	111	104	192	-513
Other activities				
Accounts payable, receivables, accruals and allowances	-631	1,878	-16,512	-8,188
Foreign exchange activities	-25	-427	387	-148
Amortization of tangible capital assets	522	151	1,522	1,157
Total other activities	-134	1,602	-14,603	-7,179
Total non-budgetary transactions	-287	1,407	-15,711	-8,802
Net financial source/requirement	-184	1,713	-11,941	-4,146

Table 5

Financial source/requirement and net financing activities

	August		April to August	
	2003	2004	2003–04	2004–05
			($ millions)	
Net financial source/requirement	-184	1,713	-11,941	-4,146
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,451	2,767	-3,343	-4,665
Treasury bills	3,900	100	9,700	1,900
Canada Savings Bonds	-89	-55	-578	-238
Other	-1	-5	174	-24
Total	5,261	2,807	5,953	-3,027
Foreign currency borrowings	-138	49	-373	-1,084
Net change in financing activities	5,123	2,856	5,580	-4,111
Change in cash balance	4,939	4,569	-6,361	-8,257

Table 6

Condensed statement of assets and liabilities

	March 31, 2004	August 31, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,964	67,758	-12,206
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	278,780	274,115	-4,665
Treasury bills	113,378	115,278	1,900
Canada Savings Bonds	21,330	21,092	-238
Other	3,427	3,404	-23
Subtotal	416,915	413,889	-3,026
Payable in foreign currencies	20,542	19,458	-1,084
Obligations related to capital leases	2,774	2,740	-34
Total unmatured debt	440,231	436,087	-4,144
Pension and other accounts			
Public sector pensions	127,560	128,330	770
Other employee and veteran future benefits	39,367	39,710	343
Canada Pension Plan (net of securities)	7,483	6,677	-806
Other pension and other accounts	6,488	6,045	-443
Total pension and other accounts	180,898	180,761	-137
Total interest-bearing debt	621,129	616,848	-4,281
Total liabilities	701,093	684,606	-16,487
Financial assets			
Cash and accounts receivable	70,921	59,107	-11,814
Foreign exchange accounts	44,313	44,460	147
Loans, investments and advances (net of allowances)	29,548	30,252	704
Total financial assets	144,782	133,819	-10,963
Net debt	556,311	550,787	-5,524
Non-financial assets	54,817	53,949	-868
Federal debt (accumulated deficit)	501,494	496,838	-4,656

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October 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

September 2004: budgetary surplus of $3.3 billion

There was a budgetary surplus of $3.3 billion in September 2004, up significantly from a deficit of $728 million recorded in September 2003. This year-over-year higher surplus primarily reflects the net gain from the sale of the federal government's remaining shares in Petro-Canada. In addition, the labour disruptions in September at the Canada Revenue Agency resulted in delays in the processing of refunds, thereby resulting in a temporary increase in revenues. Revenues were up $3.5 billion compared to September 2003, while program expenses were down $0.4 billion. Public debt charges were $0.1 billion lower than during the same month last year.

April to September 2004: budgetary surplus of $7.9 billion

For the first six months of the 2004–05 fiscal year (April to September), the budgetary surplus is estimated at $7.9 billion, up $4.9 billion from the surplus reported in the same period last year. Budgetary revenues were up $6.1 billion, or 7.1 per cent. This reflects the inclusion of the net proceeds from the sale of the Government's remaining shares in Petro-Canada as well as increases in most revenue components, consistent with the strong growth in the economy in the first half of 2004. Program expenses were up $1.7 billion, or 2.6 per cent, primarily due to higher transfer payments, reflecting the impact of previous budget measures. Public debt charges were $0.4 billion lower.

Note to Readers: Caution should be exercised in interpreting the year-to-date fiscal results. The revenue data reported for September and the fiscal year to date were affected by the recent federal public service labour disruption. Revenues are in some instances overstated due to fewer refunds having been processed. The labour disruption will also affect the October 2004 results, but the impact should unwind over the coming months as the Canada Revenue Agency catches up with the processing of refunds. In addition, a number of proposed policy initiatives, including the recent federal-provincial/territorial agreements on health care, equalization and Territorial Formula Financing, will only be reflected in the monthly fiscal results once enabling legislation receives Royal Assent.

September 2004: budgetary results

The September 2004 budgetary surplus was estimated at $3.3 billion, up from a deficit of $728 million in September 2003.

On a year-over-year basis, budgetary revenues, at $16.9 billion, were up $3.5 billion, or 26.2 per cent. This increase is mostly attributable to the net proceeds from the sale of the federal government's remaining shares in Petro-Canada. There were also increases in personal income tax ($0.7 billion) and corporate income tax ($0.5 billion) revenues, offset somewhat by a decline in employment insurance (EI) premium revenues ($0.2 billion). Excise taxes and duties remained flat on a year-over-year basis.

- Personal income tax revenues increased by $0.7 billion, or 10.7 per cent. The year-over-year increase is primarily attributable to growth in source deductions and higher instalment payments.

- Corporate income tax revenues were up $0.5 billion, or 46.9 per cent, reflecting fewer refunds processed during the month of September due to the public service labour disruption. For example, gross receipts in September were up about 12 per cent, but a 27-per-cent fall-off in refunds lifted net receipts by 46.9 per cent. Some of these higher net receipts will be reversed in the coming months.
- Excise taxes and duties were flat, as a decline in customs import duties was almost fully offset by increases in other excise taxes and duties. Goods and services tax (GST) revenues remained flat on a year-over-year basis, although GST refunds were down significantly due to the public service labour disruption.
- EI premiums were down 12.0 per cent, reflecting the impact of the lower premium rate (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003), which more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, which consist of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were up $2.5 billion due to the sale of the federal government's remaining shares in Petro-Canada. Without this sale, other revenues would have declined in September.

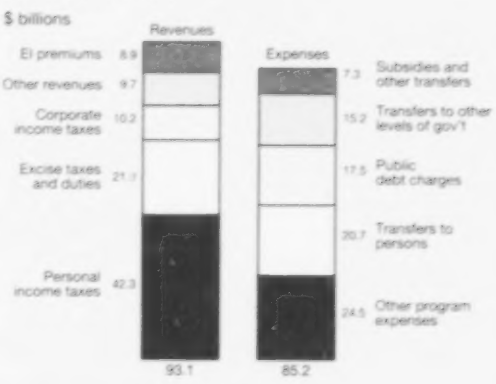
Program expenses in September 2004 were $10.8 billion, down $0.4 billion, or 3.4 per cent, from September 2003. Lower EI benefits (down $0.3 billion) and other program expenses (down $0.4 billion) more than offset increases in transfers to other levels of government and subsidies and other transfers (up $0.3 billion).

Total transfer payments were up $0.1 billion, or 0.8 per cent, in September 2004.

- Major transfers to persons, consisting of elderly and EI benefits, were down $0.3 billion on a year-over-year basis. Elderly benefits increased 3.2 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefits fell by 25.2 per cent, largely due to the timing of payments in September 2004 compared to the same month in 2003, and partly due to a decline in the number of unemployed persons.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer, Canada Social Transfer and Health Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs, were up 8.3 per cent. The increase in federal transfers in support of health and other social programs reflects increased funding under the February 2003 First Ministers' Accord on Health Care Renewal. Fiscal transfers consist of equalization entitlements, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 8.0 per cent from September 2003, primarily reflecting the impact of recoveries in 2003–04 for overpayments in previous years under the equalization program.
- Subsidies and other transfers were up 12.6 per cent. This component is extremely volatile on a monthly basis, reflecting the timing of payments.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. On a year-over-year basis, these expenses were down 10.4 per cent. Other program expenses were affected by the federal public service labour disruption in September, which reduced operating costs. This component is also quite volatile on a monthly basis, reflecting the timing of payments and the coming into force of budget measures.

Revenues and expenses
(April-September 2004)



Public debt charges were down 3.5 per cent, as a decline in the stock of interest-bearing debt more than offset the impact of an increase in the average effective interest rate on that debt.

April to September 2004: budgetary results

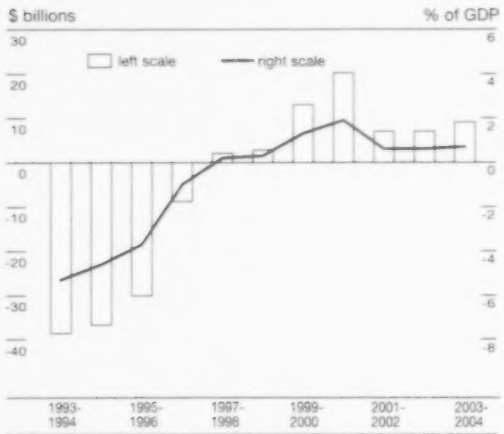
In the first six months of the fiscal year, there was a budgetary surplus of $7.9 billion, up $4.9 billion from the surplus of $3.0 billion reported in the same period of 2003–04. Over half of the increase in the surplus relates to one-time factors.

Budgetary revenues, at $93.1 billion, were up $6.1 billion or 7.1 per cent. This increase reflects gains in tax revenues and higher other revenues, including the sale of the federal government's remaining shares in Petro-Canada, offset somewhat by lower EI premiums. Tax revenues were up $5.2 billion, or 7.3 per cent. However, as noted above, the labour disruption in the federal public service in September has raised both September and year-to-date tax revenues due to a lower volume of refunds processed. This impact should largely unwind in the coming months.

- Personal income tax revenues increased by $2.5 billion, or 6.4 per cent. The year-over-year increase is primarily attributable to the strong growth in source deductions from employment income, partly reflecting gains in employment.
- Corporate income tax revenues were up $1.2 billion, or 12.8 per cent, reflecting in part the lower volume of refunds processed in September 2004. In addition, the monthly results are affected by remittance procedures. Corporations are required to remit monthly instalments based on their previous year's actual tax liabilities or their current year's estimated liabilities, with settlement payments made within 60 days of the close of their taxation year. Given the large increase in settlement payments in 2003–04, reflecting the increase in corporate profits in 2003, the current monthly instalments are more reflective of the increase in the tax liability last year than an increase in the current year.
- Excise taxes and duties increased by $1.3 billion, or 6.4 per cent, primarily due to growth in GST revenues, which were up 9.3 per cent. Customs import duties were up slightly, while there was a slight decline in the Air Travellers Security Charge.
- EI premiums were down $0.8 billion, or 8.0 per cent.
- Other revenues increased $1.8 billion, or 27.2 per cent, reflecting the sale of the Government's remaining shares of Petro-Canada.

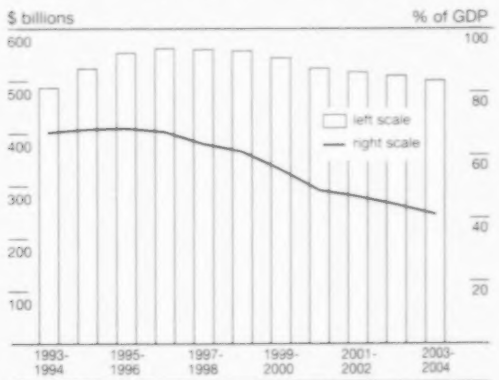
On a year-over-year basis, program expenses in the April to September 2004 period were up 2.6 per cent to $67.7 billion due to higher transfers. Public debt charges were $0.4 billion lower than in the first six months of 2003–04.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Transfer payments, which accounted for nearly two-thirds of total program expenses, increased by $1.9 billion, or 4.6 per cent.

- Transfers to persons advanced by $0.3 billion, or 1.6 per cent. Elderly benefits were up 3.2 per cent while EI benefits were down 1.4 per cent. Within EI benefits, an increase in special benefits, such as sickness, maternity and parental benefits, was offset by a decline in regular benefits, reflecting the improvement in the labour market.
- Transfers to other levels of government were up $1.1 billion, or 7.6 per cent, reflecting higher transfers in support of health and other social programs resulting from the February 2003 First Ministers' Accord on Health Care Renewal, as well as increased fiscal transfers. Fiscal transfers were up 8.5 per cent, primarily reflecting the impact on the 2003–04 results of recoveries related to overpayments in previous years under the equalization program.
- Subsidies and other transfers increased by $0.5 billion, or 7.4 per cent, primarily reflecting the impact of previous budget measures.

Other program expenses fell by $0.2 billion, or 0.8 per cent, due to lower expenses related to Crown corporations and all departments and agencies except defence, reflecting lower operating costs related to the federal public service labour disruption.

Public debt charges were down $0.4 billion, as a decline in the stock of interest-bearing debt more than offset the impact of an increase in the average effective interest rate on that debt.

Financial requirement of $1.0 billion for April to September 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities (through its acquisition of capital assets and its loans, financial investments and advances), pensions and other accounts, as well as other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $8.9 billion in the April to September period, down $4.7 billion from the requirement in the same period of 2003–04. The decline is primarily attributable to the cash transfers in the April to September 2003 period to trust funds established in the 2003 budget for the Canada Health and Social Transfer cash supplement ($2.5 billion), the Diagnostic/Medical Equipment Fund ($1.5 billion), Canada Health Infoway ($600 million) and the Canada Foundation for Innovation ($500 million).

With a budgetary surplus of $7.9 billion and a net requirement of $8.9 billion from non-budgetary transactions, there was a financial requirement of $1.0 billion in the first six months of 2004–05, down $9.6 billion from the same period last year.

Net financing activities down $10.6 billion

The Government reduced market debt by $10.6 billion by the end of September 2004, largely by reducing its holdings of marketable bonds. Given the reduction in market debt and the financial requirement of $1.0 billion, the Government lowered its cash balances by $11.5 billion. The monthly level of cash balances varies as a result of a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of September stood at $5.7 billion.

Table 1

Summary statement of transactions

	September		April to September	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	13,370	16,873	86,940	93,086
Expenses				
Program expenses	-11,128	-10,753	-65,982	-67,702
Public debt charges	-2,970	-2,866	-17,916	-17,476
Budgetary balance (deficit/surplus)	-728	3,254	3,042	7,908
Non-budgetary transactions	2,075	-111	-13,629	-8,881
Financial source/requirement	1,347	3,143	-10,587	-973
Net change in financing activities	-5,708	-6,431	-140	-10,576
Net change in cash balances	-4,361	-3,288	-10,727	-11,549
Cash balance at end of period			3,973	5,701

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	September			April to September		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	6,307	6,979	10.7	39,780	42,319	6.4
Corporate income tax	1,122	1,648	46.9	9,058	10,220	12.8
Other income tax revenue	171	181	5.8	1,350	1,500	11.1
Total income tax	7,600	8,808	15.9	50,188	54,039	7.7
Excise taxes and duties						
Goods and services tax	2,368	2,369	0.0	13,988	15,288	9.3
Customs import duties	317	277	-12.6	1,545	1,581	2.3
Sales and excise taxes	790	824	4.3	4,870	4,871	0.0
Air Travellers Security Charge	33	35	6.1	212	194	-8.5
Total excise taxes and duties	3,508	3,505	-0.1	20,615	21,934	6.4
Total tax revenues	11,108	12,313	10.8	70,803	75,973	7.3
Employment insurance premiums	1,322	1,163	-12.0	9,689	8,910	-8.0
Other revenues	940	3,397	261.4	6,448	8,203	27.2
Total budgetary revenues	13,370	16,873	26.2	86,940	93,086	7.1

Table 3

Budgetary expenses

	September			April to September		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,244	2,315	3.2	13,324	13,752	3.2
Employment insurance benefits	1,352	1,011	-25.2	7,035	6,935	-1.4
Total	3,596	3,326	-7.5	20,359	20,687	1.6
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			6,325	
Canada Social Transfer		652			3,912	
Health Reform Transfer		125			750	
Canada Health and Social Transfer	1,692			10,150	25	-99.8
Fiscal transfers	858	927	8.0	5,202	5,645	8.5
Alternative Payments for Standing Programs	-211	-225	6.6	-1,205	-1,433	18.9
Total	2,339	2,533	8.3	14,147	15,224	7.6
Subsidies and other transfers						
Agriculture	112	88	-21.4	369	232	-37.1
Foreign Affairs	133	129	-3.0	830	1,023	23.3
Health	92	179	94.6	708	874	23.4
Human Resources Development	126	102	-19.0	633	499	-21.2
Indian and Northern Development	281	302	7.5	2,158	2,192	1.6
Industry and Regional Development	69	122	76.8	712	827	16.2
Other	237	260	9.7	1,358	1,625	19.7
Total	1,050	1,182	12.6	6,768	7,272	7.4
Total transfer payments	6,985	7,041	0.8	41,274	43,183	4.6
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	92	109	18.5	583	660	13.2
Canada Mortgage and Housing Corporation	166	170	2.4	1,074	1,035	-3.6
Other	157	116	-26.1	1,073	988	-7.9
Total	415	395	-4.8	2,730	2,683	-1.7
Defence	876	1,040	18.7	5,567	5,655	1.6
All other departments and agencies	2,852	2,277	-20.2	16,411	16,181	-1.4
Total other program expenses	4,143	3,712	-10.4	24,708	24,519	-0.8
Total program expenses	11,128	10,753	-3.4	65,982	67,702	2.6
Public debt charges	2,970	2,866	-3.5	17,916	17,476	-2.5
Total budgetary expenses	14,098	13,619	-3.4	83,898	85,178	1.5

Table 4

Budgetary balance and financial source/requirement

	September		April to September	
	2003	2004	2003–04	2004–05
			($ millions)	
Budgetary balance (deficit/surplus)	-728	3,254	3,042	7,908
Non-budgetary transactions				
Capital investing activities	-175	-180	-1,151	-471
Other investing activities	-832	-378	-1,361	-1,082
Pension and other accounts	371	-504	824	-640
Other activities				
Accounts payable, receivables, accruals and allowances	3,026	923	-13,535	-7,725
Foreign exchange activities	-219	-161	168	-309
Amortization of tangible capital assets	-96	189	1,426	1,346
Total other activities	2,711	951	-11,941	-6,688
Total non-budgetary transactions	2,075	-111	-13,629	-8,881
Net financial source/requirement	1,347	3,143	-10,587	-973

Table 5

Financial source/requirement and net financing activities

	September		April to September	
	2003	2004	2003–04	2004–05
			($ millions)	
Net financial source/requirement	1,347	3,143	-10,587	-973
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-3,758	-4,813	-7,101	-9,478
Treasury bills	-2,200	-1,500	7,500	400
Canada Savings Bonds	-74	-30	-652	-268
Other	-1	-1	173	-25
Total	-6,033	-6,344	-80	-9,371
Foreign currency borrowings	325	-83	-48	-1,167
Total	-5,708	-6,427	-128	-10,538
Obligations related to capital leases	0	-4	-12	-38
Net change in financing activities	-5,708	-6,431	-140	-10,576
Change in cash balance	-4,361	-3,288	-10,727	-11,549

Table 6

Condensed statement of assets and liabilities

	March 31, 2004	September 30, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,964	68,154	-11,810
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	278,780	269,302	-9,478
Treasury bills	113,378	113,778	400
Canada Savings Bonds	21,330	21,062	-268
Other	3,427	3,402	-25
Subtotal	416,915	407,544	-9,371
Payable in foreign currencies	20,542	19,375	-1,167
Obligations related to capital leases	2,774	2,736	-38
Total unmatured debt	440,231	429,655	-10,576
Pension and other accounts			
Public sector pensions	127,560	129,598	2,038
Other employee and veteran future benefits	39,367	39,518	151
Canada Pension Plan (net of securities)	7,483	5,085	-2,398
Other pension and other accounts	6,488	6,057	-431
Total pension and other accounts	180,898	180,258	-640
Total interest-bearing debt	621,129	609,913	-11,216
Total liabilities	701,093	678,067	-23,026
Financial assets			
Cash and accounts receivable	70,921	55,288	-15,633
Foreign exchange accounts	44,313	44,622	309
Loans, investments and advances (net of allowances)	29,548	30,630	1,082
Total financial assets	144,782	130,540	-14,242
Net debt	556,311	547,527	-8,784
Non-financial assets	54,818	53,942	-876
Federal debt (accumulated deficit)	501,493	493,585	-7,908

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November 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

October 2004: budgetary surplus of $1.1 billion

There was a budgetary surplus of $1.1 billion in October 2004, up from a surplus of $159 million in October 2003. Revenues were up $1.3 billion compared to October 2003, primarily due to higher corporate income tax revenues, largely reflecting the impact of delays in the processing of refunds due to labour disputes at the Canada Revenue Agency. This should be reversed in coming months. Program expenses were up $0.8 billion while public debt charges were $0.4 billion lower.

April to October 2004: budgetary surplus of $9.0 billion

For the first seven months of the 2004–05 fiscal year (April to October), the budgetary surplus is estimated at $9.0 billion, up $5.8 billion from the surplus reported in the same period last year. Budgetary revenues were up $7.4 billion, or 7.3 per cent. This reflects the inclusion of the net proceeds of $2.6 billion from the sale of the Government's remaining shares in Petro-Canada in September as well as increases in most revenue components, consistent with the growth in the economy in 2004. Program expenses were up $2.5 billion, or 3.3 per cent, due to higher transfer payments, primarily reflecting the impact of previous budget measures related to transfers to other levels of government. Public debt charges were $0.9 billion lower.

Note to Readers: Caution should be exercised in interpreting the year-to-date fiscal results. The revenue data reported for September and October and the fiscal year to date are affected by the recent labour disruption in the federal public service. Revenues are in some instances overstated due to fewer refunds having been processed. The impacts of this labour disruption should unwind over the coming months as the Canada Revenue Agency catches up with the processing of refunds. In addition, there are a number of proposed policy initiatives, including the recent federal-provincial agreements on health care, equalization and Territorial Formula Financing, which will only be reflected in the monthly fiscal results once enabling legislation receives Royal Assent.

October 2004: budgetary results

The October 2004 budgetary surplus was estimated at $1.1 billion, up from a surplus of $159 million in October 2003.

On a year-over-year basis, budgetary revenues totalled $15.5 billion, up $1.3 billion, or 9.1 per cent. This increase is almost entirely attributable to sharply higher net corporate income tax receipts, which rose $1.2 billion, or 91.8 per cent, above their level of one year ago. Corporate income tax receipts continue to be affected by the recent public sector labour disruption. There were also increases in personal income tax revenues ($0.4 billion) and other revenues ($0.1 billion), offset somewhat by declines in employment insurance (EI) premium revenues ($0.1 billion) and excise taxes and duties ($0.3 billion).

- Personal income tax revenues increased $0.4 billion, or 5.8 per cent, primarily due to growth in source deductions, consistent with higher employment.

- Corporate income tax revenues jumped $1.2 billion, or 91.8 per cent, partly reflecting the impact of the public service labour disruption. For example, gross receipts in October were up 33.5 per cent while refunds dropped 44.2 per cent, resulting in a 91.8-per-cent gain in net receipts. Some of these higher net receipts will be reversed in the coming months as the backlog of refunds is processed.
- Excise taxes and duties were down $0.3 billion. This decline is largely due to lower goods and service tax (GST) receipts, which fell $0.3 billion, or 11.1 per cent, primarily due to the timing of receipts. Among other excise taxes and duties, customs import duties rose 1.7 per cent while sales and excise taxes fell 1.3 per cent.
- EI premiums were down 11.7 per cent, reflecting the impact of the lower premium rate (the employee rate for 2004 is $1.98 per $100 of insurable earnings compared to $2.10 in 2003), which more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, which consist of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were up $0.1 billion.

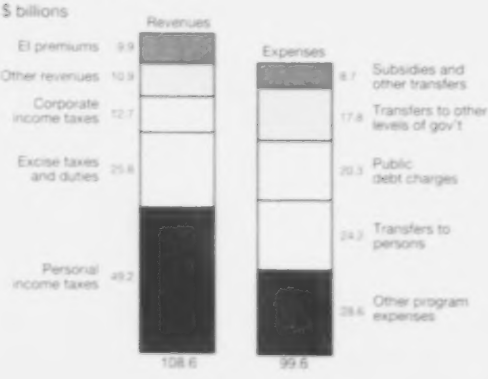
On a year-over-year basis, program expenses in October 2004 were $11.6 billion, up $0.8 billion or 7.3 per cent from October 2003. Higher transfer payments accounted for most of this increase.

Total transfer payments were up $0.7 billion, or 9.8 per cent, in October 2004.

- Major transfers to persons, consisting of elderly and EI benefits, were up $0.2 billion on a year-over-year basis. Elderly benefits increased 3.9 per cent due to both higher average benefits, which have risen because of higher inflation in early 2003, and an increase in the number of individuals eligible for benefits. EI benefits climbed by 10.3 per cent, reflecting the timing of payments in October 2004 compared to the same month last year.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer, Canada Social Transfer and Health Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs, were up 13.7 per cent. The increase in federal transfers in support of health and other social programs reflects increased funding under the February 2003 First Ministers' Accord on Health Care Renewal. Fiscal transfers consist of equalization entitlements, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 8.1 per cent from October 2003, primarily reflecting the impact of recoveries in 2003–04 for overpayments in previous years under the equalization program.
- Subsidies and other transfers were up 13.1 per cent. This component is extremely volatile on a monthly basis, largely reflecting the timing of payments. The October estimate of transfers from Human Resources Development is unusually low as it includes corrections to prior months.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. On a year-over-year basis, these expenses were up 3.1 per cent, as a decline in Crown corporation and defence-related expenses was more than offset by higher expenses in all other departments and agencies. This component is also quite volatile on a monthly basis, reflecting the timing of payments and the coming into force of budget measures.

Revenues and expenses
(April-October 2004)



Public debt charges were down 12.6 per cent, as a decline in the stock of interest-bearing debt more than offset the impact of an increase in the average effective interest rate on that debt.

April to October 2004: budgetary results

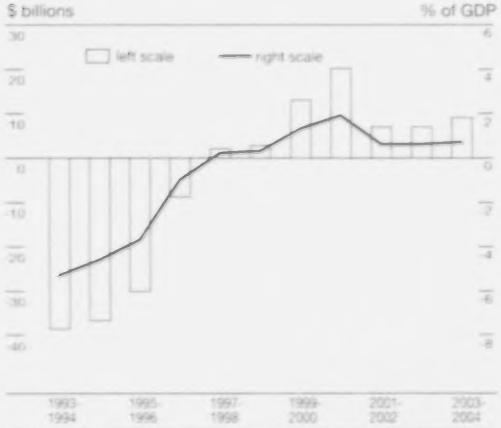
In the first seven months of the fiscal year, there was a budgetary surplus of $9.0 billion, up $5.8 billion from the $3.2-billion surplus reported in the same period of 2003–04. However, almost half of the increase in the surplus relates to one-time factors.

Budgetary revenues, at $108.6 billion, were up $7.4 billion or 7.3 per cent. This increase reflects gains in tax revenues and other revenues, including the sale of the Government's remaining shares in Petro-Canada, offset somewhat by lower EI premiums. Tax revenues were up $6.5 billion, or 7.8 per cent. However, as noted above, the recent labour disruption in the federal public service has raised year-to-date tax revenues due to a lower volume of refunds processed. This impact should largely unwind in the coming months.

- Personal income tax revenues increased $2.9 billion, or 6.3 per cent. This increase is primarily due to strong growth in source deductions from employment income, reflecting in part gains in employment.
- Corporate income tax revenues were up $2.4 billion, or 22.8 per cent, reflecting in part the lower volume of refunds processed in both September and October 2004. In addition, the monthly results are affected by remittance procedures. Corporations are required to remit monthly instalments based on their previous year's actual tax liabilities or their current year's estimated liabilities, with settlement payments made within 60 days of the close of their taxation year. Given the large increase in settlement payments in 2003–04, reflecting the increase in corporate profits in 2003, the current monthly instalments are more reflective of the increase in tax liabilities last year than an increase in the current year.
- Excise taxes and duties increased $1.0 billion, or 4.0 per cent, primarily due to growth in GST revenues, which were 5.6 per cent higher than last year. Customs import duties were also up (2.2 per cent), while there were declines in both sales and excise taxes (down 0.2 per cent) and the Air Travellers Security Charge (down 1.2 per cent).
- EI premiums were down $0.9 billion, or 8.4 per cent.
- Other revenues increased $1.9 billion, or 25.9 per cent, due to the sale of the Government's remaining shares in Petro-Canada. In the absence of this transaction, other revenues would have declined on a year-over-year basis.

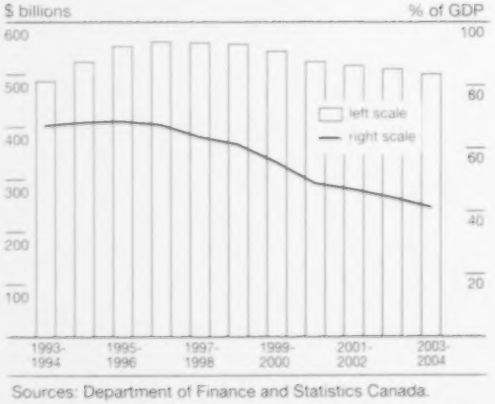
On a year-over-year basis, program expenses in the April to October 2004 period were up 3.3 per cent to $79.3 billion due to higher transfers. Public debt charges were $0.9 billion lower than in the first seven months of 2003–04.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Transfer payments, which accounted for nearly two-thirds of total program expenses, increased by $2.6 billion, or 5.4 per cent.

- Transfers to persons advanced by $0.5 billion, or 2.2 per cent. Elderly benefits were up 3.3 per cent while EI benefits were virtually unchanged. Within EI benefits, an increase in special benefits, such as sickness, maternity and parental benefits, and employment benefit and support measures, was offset by a decline in regular benefits, reflecting the improvement in the labour market.
- Transfers to other levels of government were up $1.4 billion, or 8.5 per cent, reflecting higher transfers in support of health and other social programs, resulting from the February 2003 First Ministers' Accord on Health Care Renewal, and increased fiscal transfers. Fiscal transfers were up 8.5 per cent, primarily reflecting the impact on the 2003–04 results of recoveries related to overpayments in previous years under the equalization program. These results do not reflect the impacts of the 2004 First Ministers' agreements on health care, equalization and Territorial Formula Financing. These will be included in the monthly fiscal results once the legislation has received Royal Assent.
- Subsidies and other transfers increased by $0.7 billion, or 8.4 per cent, primarily reflecting the impact of previous budget measures.

Other program expenses fell by $0.1 billion, or 0.2 per cent, as lower expenses related to Crown corporations more than offset marginally higher defence expenses. These expenses do not incorporate the impact of recent wage settlements in the federal public sector.

Public debt charges were down $0.9 billion, as a decline in the stock of interest-bearing debt more than offset the impact of an increase in the average effective interest rate on that debt.

Financial source of $1.2 billion for April to October 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities (through its acquisition of capital assets and its loans, financial investments and advances), pensions and other accounts, as well as other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $7.7 billion in the April to October period, down $5.7 billion from the requirement in the same period of 2003–04. The decline is primarily attributable to the cash transfers in the April to October 2003 period to trust funds established in the 2003 budget for the Canada Health and Social Transfer cash supplement ($2.5 billion), the Diagnostic/Medical Equipment Fund ($1.5 billion), Canada Health Infoway ($600 million) and the Canada Foundation for Innovation ($500 million).

With a budgetary surplus of $9.0 billion and a net requirement of $7.7 billion from non-budgetary transactions, there was a financial source of $1.2 billion in the first seven months of 2004–05, compared to a net requirement of $10.2 billion in the same period last year.

Net financing activities down $9.0 billion

The Government reduced market debt by $9.0 billion by the end of October 2004, largely through a reduction of marketable bonds. Given the reduction in market debt and the financial source of $1.2 billion, the Government lowered its cash balances by $7.7 billion. The monthly level of cash balances varies as a result of a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of October stood at $9.5 billion.

Table 1

Summary statement of transactions

	October		April to October	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	14,190	15,476	101,131	108,563
Expenses				
Program expenses	-10,788	-11,578	-76,771	-79,280
Public debt charges	-3,243	-2,834	-21,160	-20,309
Budgetary balance (deficit/surplus)	159	1,064	3,200	8,974
Non-budgetary transactions	200	1,145	-13,429	-7,738
Financial source/requirement	359	2,209	-10,229	1,236
Net change in financing activities	-114	1,610	-255	-8,967
Net change in cash balances	245	3,819	-10,484	-7,731
Cash balance at end of period			4,217	9,521

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	October			April to October		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	6,533	6,910	5.8	46,313	49,229	6.3
Corporate income tax	1,308	2,509	91.8	10,366	12,729	22.8
Other income tax revenue	220	269	22.3	1,570	1,769	12.7
Total income tax	8,061	9,688	20.2	58,249	63,727	9.4
Excise taxes and duties						
Goods and services tax	3,066	2,726	-11.1	17,055	18,015	5.6
Customs import duties	233	237	1.7	1,778	1,818	2.2
Sales and excise taxes	815	804	-1.3	5,685	5,675	-0.2
Air Travellers Security Charge	33	48	45.5	245	242	-1.2
Total excise taxes and duties	4,147	3,815	-8.0	24,763	25,750	4.0
Total tax revenues	12,208	13,503	10.6	83,012	89,477	7.8
Employment insurance premiums	1,167	1,031	-11.7	10,857	9,940	-8.4
Other revenues	815	942	15.6	7,262	9,146	25.9
Total budgetary revenues	14,190	15,476	9.1	101,131	108,563	7.3

Table 3

Budgetary expenses

	October			April to October		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,271	2,359	3.9	15,595	16,111	3.3
Employment insurance benefits	1,012	1,116	10.3	8,047	8,051	0.0
Total	3,283	3,475	5.8	23,642	24,162	2.2
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			7,379	
Canada Social Transfer		652			4,565	
Health Reform Transfer		125			875	
Canada Health and Social Transfer	1,692	-25		11,842		
Fiscal transfers	857	926	8.1	6,059	6,571	8.5
Alternative Payments for Standing Programs	-269	-139	-48.3	-1,475	-1,573	6.6
Total	2,280	2,593	13.7	16,426	17,817	8.5
Subsidies and other transfers						
Agriculture	41	89	117.1	410	321	-21.7
Foreign Affairs	137	203	48.2	967	1,225	26.7
Health	270	105	-61.1	978	979	0.1
Human Resources Development	133	7	-94.7	766	506	-33.9
Indian and Northern Development	387	348	-10.1	2,544	2,539	-0.2
Industry and Regional Development	162	208	28.4	875	1,035	18.3
Other	115	448	289.6	1,470	2,074	41.1
Total	1,245	1,408	13.1	8,010	8,679	8.4
Total transfer payments	6,808	7,476	9.8	48,078	50,658	5.4
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	96	65	-32.3	679	725	6.8
Canada Mortgage and Housing Corporation	149	165	10.7	1,223	1,200	-1.9
Other	188	136	-27.7	1,262	1,121	-11.2
Total	433	366	-15.5	3,164	3,046	-3.7
Defence	1,059	1,025	-3.2	6,629	6,680	0.8
All other departments and agencies	2,488	2,711	9.0	18,900	18,896	0.0
Total other program expenses	3,980	4,102	3.1	28,693	28,622	-0.2
Total program expenses	10,788	11,578	7.3	76,771	79,280	3.3
Public debt charges	3,243	2,834	-12.6	21,160	20,309	-4.0
Total budgetary expenses	14,031	14,412	2.7	97,931	99,589	1.7

Table 4

Budgetary balance and financial source/requirement

	October		April to October	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary balance (deficit/surplus)	159	1,064	3,200	8,974
Non-budgetary transactions				
Capital investing activities	52	-185	-1,099	-654
Other investing activities	68	-508	-1,293	-1,590
Pension and other accounts	37	-1,358	862	-2,000
Other activities				
Accounts payable, receivables, accruals and allowances	-811	2,462	-14,347	-5,266
Foreign exchange activities	548	487	716	178
Amortization of tangible capital assets	306	247	1,732	1,594
Total other activities	43	3,196	-11,899	-3,494
Total non-budgetary transactions	200	1,145	-13,429	-7,738
Net financial source/requirement	359	2,209	-10,229	1,236

Table 5

Financial source/requirement and net financing activities

	October		April to October	
	2003	2004	2003–04	2004–05
	($ millions)			
Net financial source/requirement	359	2,209	-10,229	1,236
Net increase (+) decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	578	552	-6,524	-8,926
Treasury bills	-400	1,400	7,100	1,800
Canada Savings Bonds	-86	-79	-738	-347
Other	-1	-1	172	-26
Total	91	1,872	10	-7,499
Foreign currency borrowings	-207	-260	-255	-1,428
Total	-116	1,612	-245	-8,927
Obligations related to capital leases	2	-2	-10	-40
Net change in financing activities	-114	1,610	-255	-8,967
Change in cash balance	245	3,819	-10,484	-7,731

Table 6

Condensed statement of assets and liabilities

	March 31, 2004	October 31, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,964	71,443	-8,521
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	278,780	269,854	-8,926
Treasury bills	113,378	115,178	1,800
Canada Savings Bonds	21,330	20,983	-347
Other	3,427	3,401	-26
Subtotal	416,915	409,416	-7,499
Payable in foreign currencies	20,542	19,114	-1,428
Obligations related to capital leases	2,774	2,734	-40
Total unmatured debt	440,231	431,264	-8,967
Pension and other accounts			
Public sector pensions	127,560	128,785	1,225
Other employee and veteran future benefits	39,367	39,543	176
Canada Pension Plan (net of securities)	7,483	4,460	-3,023
Other pension and other accounts	6,488	6,110	-378
Total pension and other accounts	180,898	178,898	-2,000
Total interest-bearing debt	621,129	610,162	-10,967
Total liabilities	701,093	681,605	-19,488
Financial assets			
Cash and accounts receivable	70,921	59,936	-10,985
Foreign exchange accounts	44,313	44,135	-178
Loans, investments and advances (net of allowances)	29,548	31,138	1,590
Total financial assets	144,782	135,209	-9,573
Net debt	556,311	546,396	-9,915
Non-financial assets	54,818	53,877	-941
Federal debt (accumulated deficit)	501,493	492,519	-8,974

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December 2004

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

November 2004: budgetary surplus of $1.7 billion

There was a budgetary surplus of $1.7 billion in November 2004, up from a surplus of $0.9 billion in November 2003. Revenues were up $1.8 billion compared to November 2003, primarily due to higher goods and services tax (GST) and corporate income tax revenues. Program expenses were up $0.9 billion while public debt charges were $0.1 billion higher.

April to November 2004: budgetary surplus of $10.7 billion

For the first eight months of the 2004–05 fiscal year (April to November), the budgetary surplus is estimated at $10.7 billion, up $6.6 billion from the surplus reported in the same period last year. This improvement reflects the inclusion of the net proceeds of $2.6 billion from the sale of the Government's remaining shares in Petro-Canada in September as well as increases in most revenue components, consistent with the growth in the economy in 2004. In addition, the monthly results to date do not reflect the cost of a number of proposed policy initiatives totalling $3.9 billion, including the recent federal-provincial agreements on health care and equalization, which will only be reflected in the monthly fiscal results once enabling legislation receives Royal Assent. As well, the monthly estimates do not include the costs associated with the proposed wage settlements with federal government employees. These costs will be incorporated once the agreements have been signed.

November 2004: budgetary results

The November 2004 budgetary surplus was estimated at $1.7 billion, up from a surplus of $0.9 billion in November 2003.

Budgetary revenues totalled $16.3 billion in the month, up $1.8 billion or 12.5 per cent from November 2003. This increase is almost entirely attributable to sharply higher net GST receipts as well as strong growth in corporate income tax receipts.

- Personal income tax revenues increased $0.1 billion, or 1.7 per cent, primarily due to growth in source deductions, consistent with higher employment.
- Corporate income tax revenues were up $0.5 billion, or 27.6 per cent. The November 2004 monthly results reflect remittance procedures, under which corporations are required to remit monthly instalments based on their previous year's actual tax liabilities or their current year's estimated liabilities, with settlement payments made within 60 days of the close of their taxation year. Given the large increase in settlement payments in 2003–04, reflecting the increase in corporate profits in 2003, the current monthly instalments reflect the increase in corporate tax liabilities since 2002. The monthly increase in November is down from the extremely high monthly rates of growth reported in September and October, when the processing of refunds was affected by the labour disruption at the Canada Revenue Agency.

- Excise taxes and duties were up $1.2 billion. This increase is almost entirely the result of higher GST receipts, which were up $1.2 billion, or 56.3 per cent, due to higher gross receipts. This partly reflects the timing of receipts compared to last year. Among other excise taxes and duties, customs import duties rose $47 million, while sales and excise taxes and receipts from the Air Travellers Security Charge were down.
- Employment insurance (EI) premiums were down 10.9 per cent, reflecting the impact of a lower premium rate (the employee rate for 2004 was $1.98 per $100 of insurable earnings compared to $2.10 in 2003), which more than offset the increase in employment and thus the number of people paying premiums. The decline in EI premiums in November, as well as the year-to-date decline, also partly reflects timing factors with respect to prior-year adjustments that were made in December 2003. As a result, the monthly and year-to-date declines will unwind somewhat over the remainder of the fiscal year.
- Other revenues, which consist of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were up $0.1 billion, or 13.2 per cent. This component is extremely volatile on a monthly basis.

Program expenses in November 2004 totalled $11.6 billion, up $0.9 billion or 8.3 per cent from November 2003. The increase was spread evenly between transfer payments and other program expenses.

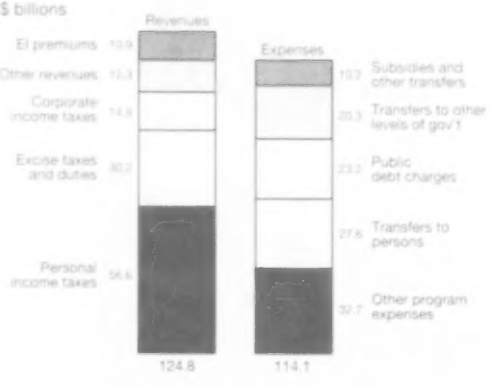
Total transfer payments were up $0.4 billion or 6.1 per cent in November 2004.

- Major transfers to persons, consisting of elderly and EI benefits, were down $0.1 billion on a year-over-year basis. Elderly benefits increased 4.1 per cent due to both higher average benefits, which have risen in line with inflation, and an increase in the number of individuals eligible for benefits. EI benefits were down 13.3 per cent, reflecting a difference in the timing of payments between October and November in 2004 compared to the same months last year.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer, Canada Social Transfer and Health Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs, were up 7.6 per cent. The increase in federal transfers in support of health and other social programs reflects increased funding under the February 2003 First Ministers' Accord on Health Care Renewal. Fiscal transfers consist of equalization entitlements, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 1.3 per cent from November 2003.
- Subsidies and other transfers were up 28.0 per cent. This component is extremely volatile on a monthly basis, largely reflecting the timing of payments.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. On a year-over-year basis, these expenses were up 12.6 per cent, as a decline in Crown corporation expenses was more than offset by higher expenses related to defence and other departments and agencies. This component is also quite volatile on a monthly basis, reflecting the timing of payments and the coming into force of budget measures.

Public debt charges were 4.1 per cent higher, driven largely by higher interest payments on non-market debt.

Revenues and expenses
(April-November 2004)



April to November 2004: budgetary results

In the first eight months of the fiscal year, there was a budgetary surplus of $10.7 billion, up $6.6 billion from the $4.1-billion surplus reported in the same period of 2003–04.

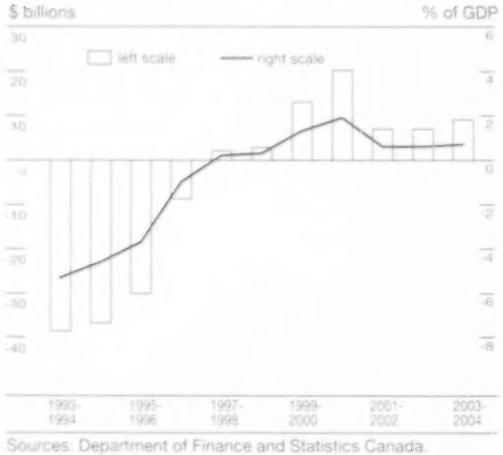
Budgetary revenues, at $124.8 billion, were up $9.2 billion or 8.0 per cent. This increase reflects gains in tax revenues and other revenues, including the sale of the Government's remaining shares in Petro-Canada, offset somewhat by lower EI premiums.

- Personal income tax revenues increased $3.0 billion or 5.7 per cent. The year-over-year increase is primarily attributable to the strong growth in source deductions from employment income, reflecting gains in employment and income.
- Corporate income tax revenues were up $2.8 billion or 23.5 per cent, largely reflecting the impact of remittance procedures, as noted above. Over the remainder of the fiscal year, the growth in corporate income tax revenues should come down.
- Excise taxes and duties increased $2.2 billion or 7.8 per cent. Virtually all of this increase is attributable to growth in GST revenues, which were 11.3 per cent higher, in part reflecting the timing of refunds. Over the balance of the year the growth in refunds should pick up, reflecting more closely the increase in gross revenues, which were up 6.7 per cent. Customs import duties were also up (4.4 per cent), while there were declines in both sales and excise taxes (down 0.8 per cent) and the Air Travellers Security Charge (down 2.2 per cent).
- EI premiums were down $1.0 billion or 8.7 per cent. As noted above, the year-to-date decline is in part a function of timing factors with respect to prior-year adjustments. The decline should moderate in the remaining months of the fiscal year.
- Other revenues increased $2.0 billion or 24.3 per cent. This increase reflects the sale of the Government's remaining shares of Petro-Canada. In the absence of this transaction, other revenues would have declined on a year-over-year basis.

On a year-over-year basis, program expenses in the April to November 2004 period were up 3.9 per cent to $90.9 billion, largely due to higher transfers. Public debt charges were $0.7 billion lower, reflecting the impact of a decline in the stock of interest-bearing debt, along with a decline in the average effective interest rate on that debt.

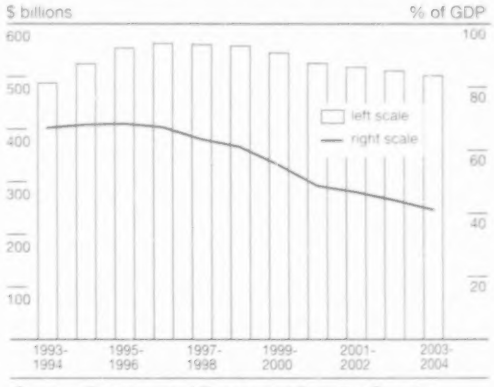
Transfer payments, which account for nearly two-thirds of total program expenses, increased by $3.0 billion, or 5.4 per cent.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

- Transfers to persons advanced by $0.4 billion, or 1.6 per cent. Elderly benefits were up 3.4 per cent while EI benefits were down 1.8 per cent. Within EI benefits, an increase in special benefits, such as sickness, maternity and parental benefits, and employment benefit and support measures, was more than offset by a decline in regular benefits, reflecting the improvement in the labour market.
- Transfers to other levels of government were up $1.6 billion, or 8.4 per cent, reflecting higher transfers in support of health and other social programs, resulting from the February 2003 First Ministers' Accord on Health Care Renewal, and increased fiscal transfers. Fiscal transfers were up 7.6 per cent, primarily reflecting the impact on the 2003–04 results of recoveries related to overpayments in previous years under the equalization program. These results do not reflect the impacts of the 2004 First Ministers' agreements on health care, equalization and Territorial Formula Financing. These will be included in the monthly fiscal results once the legislation has received Royal Assent.
- Subsidies and other transfers increased by $1.0 billion, or 10.8 per cent, primarily reflecting the impact of previous budget measures.

Other program expenses increased by $0.4 billion, or 1.2 per cent, as lower expenses related to Crown corporations were more than offset by higher expenses related to defence and other departments and agencies. These expenses do not incorporate the impact of proposed wage settlements in the federal public sector.

Financial source of $7.1 billion for April to November 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities (through its acquisition of capital assets and its loans, financial investments and advances), pensions and other accounts, as well as other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $3.6 billion in the April to November period, an improvement of $8.8 billion from the requirement in the same period of 2003–04. The improvement is primarily attributable to the unusually large cash requirements in the April to November 2003 period related to transfers to trust funds established in the 2003 budget for the Canada Health and Social Transfer cash supplement ($2.5 billion), the Diagnostic/Medical Equipment Fund ($1.5 billion), Canada Health Infoway ($600 million) and the Canada Foundation for Innovation ($500 million). Dampening the improvement somewhat was an increase in financial requirements for pension and other accounts in the April to November period, reflecting payments to the Canada Pension Plan Investment Board.

With a budgetary surplus of $10.7 billion and a net requirement of $3.6 billion from non-budgetary transactions, there was a financial source of $7.1 billion in the first eight months of 2004–05, compared to a financial requirement of $8.3 billion in the same period last year.

Net financing activities down $8.1 billion

The Government used this financial source of $7.1 billion and a reduction in its cash balances of $1 billion to reduce its market debt by $8.1 billion by the end of November 2004, largely through a reduction of marketable bonds and lower foreign currency borrowings. The monthly level of cash balances varies as a result of a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of November stood at $16.3 billion.

Table 1

Summary statement of transactions

	November		April to November	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	14,445	16,252	115,575	124,815
Expenses				
Program expenses	-10,717	-11,606	-87,488	-90,884
Public debt charges	-2,795	-2,909	-23,953	-23,219
Budgetary balance (deficit/surplus)	933	1,737	4,134	10,712
Non-budgetary transactions	989	4,099	-12,432	-3,640
Financial source/requirement	1,922	5,836	-8,298	7,072
Net change in financing activities	6,114	897	5,860	-8,068
Net change in cash balances	8,036	6,733	-2,438	-996
Cash balance at end of period			12,259	16,254

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	November			April to November		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	7,238	7,359	1.7	53,552	56,589	5.7
Corporate income tax	1,636	2,087	27.6	12,002	14,817	23.5
Other income tax revenue	228	238	4.4	1,798	2,008	11.7
Total income tax	9,102	9,684	6.4	67,352	73,414	9.0
Excise taxes and duties						
Goods and services tax	2,131	3,331	56.3	19,185	21,346	11.3
Customs import duties	222	269	21.2	2,000	2,087	4.4
Sales and excise taxes	885	845	-4.5	6,571	6,520	-0.8
Air Travellers Security Charge	32	28	-12.5	276	270	-2.2
Total excise taxes and duties	3,270	4,473	36.8	28,032	30,223	7.8
Total tax revenues	12,372	14,157	14.4	95,384	103,637	8.7
Employment insurance premiums	1,046	932	-10.9	11,903	10,872	-8.7
Other revenues	1,027	1,163	13.2	8,288	10,306	24.3
Total budgetary revenues	14,445	16,252	12.5	115,575	124,815	8.0

Table 3

Budgetary expenses

	November			April to November		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,260	2,353	4.1	17,856	18,465	3.4
Employment insurance benefits	1,287	1,116	-13.3	9,334	9,167	-1.8
Total	3,547	3,469	-2.2	27,190	27,632	1.6
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			8,433	
Canada Social Transfer		702			5,267	
Health Reform Transfer		125			1,000	
Canada Health and Social Transfer	1,691	-27		13,533	-27	
Fiscal transfers	865	876	1.3	6,923	7,446	7.6
Alternative Payments for Standing Programs	-214	-210	-1.9	-1,689	-1,783	5.6
Total	2,342	2,520	7.6	18,767	20,336	8.4
Subsidies and other transfers						
Agriculture	115	251	118.3	524	572	9.2
Foreign Affairs	112	158	41.1	1,080	1,383	28.1
Health	171	194	13.5	1,150	1,172	1.9
Human Resources Development	129	216	67.4	895	722	-19.3
Indian and Northern Development	302	352	16.6	2,846	2,891	1.6
Industry and Regional Development	97	143	47.4	972	1,177	21.1
Other	252	194	-23.0	1,724	2,268	31.6
Total	1,178	1,508	28.0	9,191	10,185	10.8
Total transfer payments	7,067	7,497	6.1	55,148	58,153	5.4
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	130	54	-58.5	809	779	-3.7
Canada Mortgage and Housing Corporation	146	140	-4.1	1,370	1,340	-2.2
Other	241	117	-51.5	1,503	1,238	-17.6
Total	517	311	-39.8	3,682	3,357	-8.8
Defence	851	1,030	21.0	7,480	7,711	3.1
All other departments and agencies	2,282	2,768	21.3	21,178	21,663	2.3
Total other program expenses	3,650	4,109	12.6	32,340	32,731	1.2
Total program expenses	10,717	11,606	8.3	87,488	90,884	3.9
Public debt charges	2,795	2,909	4.1	23,953	23,219	-3.1
Total budgetary expenses	13,512	14,515	7.4	111,441	114,103	2.4

Table 4

Budgetary balance and financial source/requirement

	November		April to November	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary balance (deficit/surplus)	933	1,737	4,134	10,712
Non-budgetary transactions				
Capital investing activities	-154	-180	-1,253	-836
Other investing activities	78	-235	-1,215	-1,825
Pension and other accounts	-766	-483	98	-2,486
Other activities				
Accounts payable, receivables, accruals and allowances	1,425	907	-12,916	-4,356
Foreign exchange activities	186	3,866	902	4,045
Amortization of tangible capital assets	220	224	1,952	1,818
Total other activities	1,831	4,997	-10,062	1,507
Total non-budgetary transactions	989	4,099	-12,432	-3,640
Net financial source/requirement	1,922	5,836	-8,298	7,072

Table 5

Financial source/requirement and net financing activities

	November		April to November	
	2003	2004	2003–04	2004–05
	($ millions)			
Net financial source/requirement	1,922	5,836	-8,298	7,072
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-494	1,005	-7,017	-7,921
Treasury bills	7,750	5,050	14,850	6,850
Canada Savings Bonds	-841	-1,357	-1,578	-1,704
Other	-1	-1	171	-27
Total	6,414	4,697	6,426	-2,802
Foreign currency borrowings	-317	-3,831	-573	-5,257
Total	6,097	866	5,853	-8,059
Obligations related to capital leases	17	31	7	-9
Net change in financing activities	6,114	897	5,860	-8,068
Change in cash balance	8,036	6,733	-2,438	-996

Table 6

Condensed statement of assets and liabilities

	March 31, 2004	November 30, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,964	73,578	-6,386
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	278,780	270,859	-7,921
Treasury bills	113,378	120,228	6,850
Canada Savings Bonds	21,330	19,626	-1,704
Other	3,427	3,400	-27
Subtotal	416,915	414,113	-2,802
Payable in foreign currencies	20,542	15,285	-5,257
Obligations related to capital leases	2,774	2,765	-9
Total unmatured debt	440,231	432,163	-8,068
Pension and other accounts			
Public sector pensions	127,560	128,967	1,407
Other employee and veteran future benefits	39,367	39,568	201
Canada Pension Plan (net of securities)	7,483	3,783	-3,700
Other pension and other accounts	6,488	6,096	-392
Total pension and other accounts	180,898	178,412	-2,486
Total interest-bearing debt	621,129	610,575	-10,554
Total liabilities	701,093	684,153	-16,940
Financial assets			
Cash and accounts receivable	70,921	67,897	-3,024
Foreign exchange accounts	44,312	40,268	-4,045
Loans, investments and advances (net of allowances)	29,548	31,373	1,825
Total financial assets	144,781	139,537	-5,244
Net debt	556,311	544,616	-11,695
Non-financial assets	54,817	53,834	-983
Federal debt (accumulated deficit)	501,494	490,782	-10,712

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January 2005

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

December 2004: budgetary surplus of $280 million

There was a budgetary surplus of $280 million in December 2004, down from the surplus of $3.2 billion recorded in December 2003. Revenues were down $2.0 billion compared to December 2003 due to significantly lower corporate income tax revenues. The sharp drop in corporate income tax revenues, and the accompanying decline in the December 2004 surplus, largely reflect the return of corporate receipts to more normal levels in December 2004 from the unusually high level recorded in December 2003. High corporate receipts last year were related to the large year-end settlement payments made by several financial institutions as a result of their foreign exchange gains in 2003. Program expenses were up by $1.2 billion in December, while public debt charges were $0.2 billion lower.

April to December 2004: budgetary surplus of $11.0 billion

For the first nine months of the 2004–05 fiscal year (April to December), the budgetary surplus is estimated at $11.0 billion, up $3.7 billion from the surplus reported in the same period of 2003–04. This improvement reflects the inclusion of the net proceeds of $2.6 billion from the sale of the Government's remaining shares in Petro-Canada in September as well as increases in most revenue components, consistent with the growth in the economy in 2004. Monthly results to date do not reflect the cost of a number of proposed policy initiatives totalling $3.9 billion, including the recent federal-provincial agreements on health care and equalization, which will only be reflected in the monthly fiscal results once enabling legislation receives Royal Assent. As well, the monthly estimates do not include the costs associated with the recently agreed-to wage settlements with federal government employees. These costs will be reflected in the monthly results once the associated agreements come into effect.

December 2004: budgetary results

The December 2004 budgetary surplus was estimated at $280 million, down from a surplus of $3.2 billion in December 2003.

Budgetary revenues totalled $15.6 billion in the month, down $2.0 billion or 11.2 per cent from December 2003. This decline is almost entirely attributable to sharply lower corporate income tax receipts.

- Personal income tax revenues increased $0.4 billion, or 6.1 per cent, primarily due to growth in source deductions, consistent with higher employment.
- Corporate income tax revenues were down $2.5 billion, or 48.4 per cent. The sharp decline reflects the unusually high collections in December 2003. Significant year-end settlement payments were received from several financial institutions in December 2003 relating to their one-time foreign exchange gains in the 2003 tax year. For the remaining months of the fiscal year, the year-over-year growth in corporate receipts should be more reflective of developments in corporate profits.

- Excise taxes and duties were down $0.1 billion. This decline is almost entirely the result of lower goods and services tax (GST) receipts, which were down $0.1 billion, or 2.2 per cent, primarily reflecting higher refunds. Customs import duties rose $10 million, while sales and excise taxes and receipts from the Air Travellers Security Charge were down a combined $26 million.
- Employment insurance (EI) premiums were up 29.4 per cent, reflecting prior-year adjustments in December 2003.
- Other revenues, which consist of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were down $0.1 billion or 12.5 per cent. This revenue component is volatile on a monthly basis.

Program expenses in December 2004 totalled $12.7 billion, up $1.2 billion or 10.3 per cent from December 2003. The increase is mostly due to higher other program expenses.

Total transfer payments were up $0.1 billion or 1.9 per cent in December 2004.

- Major transfers to persons, consisting of elderly and EI benefits, were 0.9 per cent higher on a year-over-year basis. Elderly benefits increased 4.4 per cent due to both higher average benefits, which have risen in line with inflation, and an increase in the number of individuals eligible for benefits. EI benefits were down 5.4 per cent, reflecting the lower number of unemployed as well as a difference in the timing of payments between November and December 2004 compared to the same months in 2003.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer, Canada Social Transfer and Health Reform Transfer), fiscal transfers and Alternative Payments for Standing Programs, were up 10.5 per cent. The increase in federal transfers in support of health and other social programs reflects increased funding under the February 2003 First Ministers' Accord on Health Care Renewal. Fiscal transfers consist of equalization entitlements, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program. In aggregate, these transfers were up 14.6 per cent from December 2003, primarily reflecting the impact of recoveries in 2003–04 of overpayments in previous years.
- Subsidies and other transfers were down 7.8 per cent. This component is volatile on a monthly basis, largely reflecting the timing of payments.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. On a year-over-year basis, these expenses were up 26.8 per cent due to both higher Crown corporation expenses and higher expenses related to defence and other departments and agencies. Defence expenses rose $0.7 billion or 70.8 per cent, due to one-time accrual adjustments related to the measurement and expensing of inventory stocks and capital assets. This component is also quite volatile on a monthly basis, reflecting the timing of payments and the coming into force of budget measures.

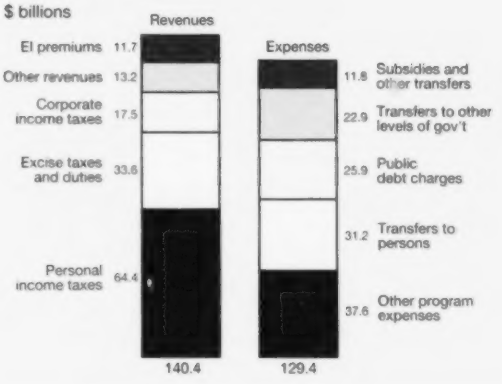
Public debt charges were 8.2 per cent lower, reflecting the impact of a decline in the stock of interest-bearing debt, along with a decline in the average effective interest rate on that debt.

April to December 2004: budgetary results

In the first nine months of the fiscal year, there was a budgetary surplus of $11.0 billion, up $3.7 billion from the $7.3-billion surplus reported in the same period of 2003–04.

Budgetary revenues, at $140.4 billion, were up $7.3 billion or 5.5 per cent. This increase reflects gains in tax revenues and other revenues, including

Revenues and expenses
(April-December 2004)



$2.6 billion from the sale of the Government's remaining shares in Petro-Canada, offset somewhat by lower EI premiums.

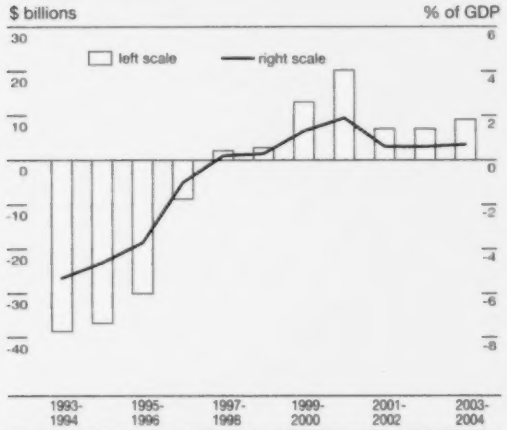
- Personal income tax revenues increased $3.5 billion or 5.7 per cent. The year-over-year increase is primarily attributable to the strong growth in source deductions from employment income, reflecting gains in employment and income.
- Corporate income tax revenues were up $0.3 billion or 1.8 per cent. This is a sharp turnaround from the November 2004 year-to-date results, when revenues were up $2.8 billion or 23.5 per cent, and reflects the impacts of large December 2003 settlement payments, as discussed above. Absent these large settlement payments, underlying corporate receipts are up about 19 per cent year-to-date, in line with the growth in corporate profits.
- Excise taxes and duties increased $2.1 billion or 6.8 per cent. Virtually all of this increase is attributable to growth in GST revenues, which were up 9.8 per cent, in part reflecting weak year-to-date refunds. Over the balance of the year, the growth in GST refunds should pick up to more closely reflect the increase in gross revenues, which were up 6.1 per cent. Customs import duties were also up (4.4 per cent), while there were declines in both sales and excise taxes (down 0.9 per cent) and the Air Travellers Security Charge (down 4.5 per cent).
- EI premiums were down $0.8 billion or 6.7 per cent. The year-to-date decline is in part a function of positive accrual adjustments that were made in the April to December period of 2003, and which were reversed in January 2004. As a result, the decline should moderate over the balance of the fiscal year.
- Other revenues increased $1.9 billion or 21.5 per cent, reflecting the sale of the Government's remaining shares in Petro-Canada. In the absence of this transaction, other revenues would have declined on a year-over-year basis.

On a year-over-year basis, program expenses in the April to December 2004 period were up 4.6 per cent to $103.6 billion, largely due to higher transfers. Public debt charges were $1.0 billion lower, reflecting the impact of a decline in the stock of interest-bearing debt, along with a decline in the average effective interest rate on that debt.

Transfer payments, which account for about two-thirds of total program expenses, increased by $3.2 billion, or 5.0 per cent.

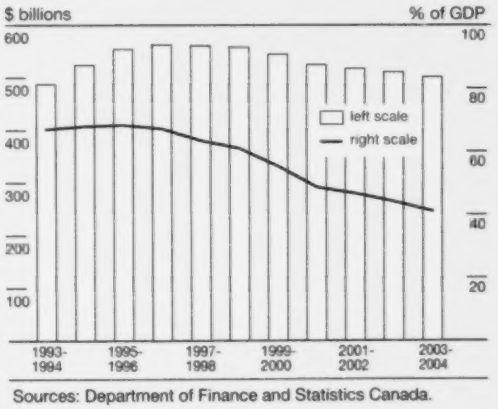
- Transfers to persons advanced by $0.5 billion, or 1.5 per cent. Elderly benefits were up 3.5 per cent while EI benefits were down 2.2 per cent. Within EI benefits, an increase in special benefits, such as sickness, maternity and parental benefits, and employment benefit and support measures, was more than offset by a decline in regular benefits, reflecting the improvement in the labour market.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

- Transfers to other levels of government were up $1.8 billion, or 8.6 per cent, reflecting higher transfers in support of health and other social programs, resulting from the February 2003 First Ministers' Accord on Health Care Renewal, and increased fiscal transfers. Fiscal transfers were up 8.4 per cent, primarily reflecting the impact on the 2003–04 results of recoveries related to overpayments in previous years under the equalization program. These results do not reflect the impacts of the 2004 First Ministers' agreements on health care, equalization and Territorial Formula Financing. These will be included in the monthly fiscal results once the legislation has received Royal Assent.
- Subsidies and other transfers increased by $0.9 billion, or 7.9 per cent, primarily reflecting the impact of previous budget measures.

Other program expenses increased by $1.4 billion, or 3.9 per cent, as lower expenses related to Crown corporations were more than offset by higher expenses related to defence and other departments and agencies. Defence expenses were up $0.9 billion or 10.6 per cent, reflecting a one-time accrual adjustment in December 2004 due to changes in the measurement and expensing of inventory stocks and capital assets. Other program expenses do not incorporate the impact of recent wage settlements in the federal public sector.

Financial source of $6.4 billion for April to December 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities (through its acquisition of capital assets and its loans, financial investments and advances), pensions and other accounts, as well as other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $4.6 billion in the April to December period, an improvement of $8.2 billion from the requirement in the same period of 2003–04. The improvement is primarily attributable to the unusually large cash requirements in the April to December 2003 period related to transfers to trust funds established in the 2003 budget for the Canada Health and Social Transfer cash supplement ($2.5 billion), the Diagnostic/Medical Equipment Fund ($1.5 billion), Canada Health Infoway ($600 million) and the Canada Foundation for Innovation ($500 million). Dampening the improvement somewhat was an increase in financial requirements for pension and other accounts in the April to December period, reflecting payments to the Canada Pension Plan Investment Board.

With a budgetary surplus of $11.0 billion and a net requirement of $4.6 billion from non-budgetary transactions, there was a financial source of $6.4 billion in the first nine months of 2004–05, compared to a requirement of $5.5 billion in the same period of 2003–04.

Net financing activities down $19.6 billion

The Government used this financial source of $6.4 billion and a reduction in its cash balances of $13.2 billion to reduce its market debt by $19.6 billion by the end of December 2004, largely through a reduction of Treasury bills and foreign currency borrowings. The monthly level of cash balances varies as a result of a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of December stood at $4.0 billion.

Table 1

Summary statement of transactions

	December		April to December	
	2003	2004	2003–04	2004–05
	($ millions)			
Budgetary transactions				
Revenues	17,551	15,584	133,127	140,400
Expenses				
Program expenses	-11,481	-12,665	-98,968	-103,551
Public debt charges	-2,874	-2,639	-26,828	-25,858
Budgetary balance (deficit/surplus)	3,196	280	7,331	10,991
Non-budgetary transactions	-361	-948	-12,794	-4,583
Financial source/requirement	2,835	-668	-5,463	6,408
Net change in financing activities	-7,814	-11,562	-1,954	-19,630
Net change in cash balances	-4,979	-12,230	-7,417	-13,222
Cash balance at end of period			7,281	4,024

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	December			April to December		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	7,387	7,835	6.1	60,938	64,424	5.7
Corporate income tax	5,191	2,680	-48.4	17,193	17,497	1.8
Other income tax revenue	227	284	25.1	2,024	2,292	13.2
Total income tax	12,805	10,799	-15.7	80,155	84,213	5.1
Excise taxes and duties						
Goods and services tax	2,258	2,208	-2.2	21,443	23,554	9.8
Customs import duties	222	232	4.5	2,222	2,319	4.4
Sales and excise taxes	893	875	-2.0	7,464	7,394	-0.9
Air Travellers Security Charge	36	28	-22.2	312	298	-4.5
Total excise taxes and duties	3,409	3,343	-1.9	31,441	33,565	6.8
Total tax revenues	16,214	14,142	-12.8	111,596	117,778	5.5
Employment insurance premiums	649	840	29.4	12,552	11,713	-6.7
Other revenues	688	602	-12.5	8,979	10,909	21.5
Total budgetary revenues	17,551	15,584	-11.2	133,127	140,400	5.5

Table 3

Budgetary expenses

	December			April to December		
	2003	2004	Change	2003–04	2004–05	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,268	2,367	4.4	20,123	20,832	3.5
Employment insurance benefits	1,268	1,200	-5.4	10,602	10,367	-2.2
Total	3,536	3,567	0.9	30,725	31,199	1.5
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer		1,054			9,488	
Canada Social Transfer		658			5,925	
Health Reform Transfer		125			1,125	
Canada Health and Social Transfer	1,692	-29		15,225	-56	
Fiscal transfers	879	1,007	14.6	7,801	8,454	8.4
Alternative Payments for Standing Programs	-214	-210	-1.9	-1,902	-1,993	4.8
Total	2,357	2,605	10.5	21,124	22,943	8.6
Subsidies and other transfers						
Agriculture	432	108	-75.0	956	680	-28.9
Foreign Affairs	224	316	41.1	1,304	1,699	30.3
Health	83	87	4.8	1,232	1,259	2.2
Human Resources Development	92	64	-30.4	987	786	-20.4
Indian and Northern Development	340	380	11.8	3,187	3,271	2.6
Industry and Regional Development	129	213	65.1	1,101	1,390	26.2
Other	412	410	-0.5	2,132	2,678	25.6
Total	1,712	1,578	-7.8	10,899	11,763	7.9
Total transfer payments	7,605	7,750	1.9	62,748	65,905	5.0
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	72	93	29.2	881	872	-1.0
Canada Mortgage and Housing Corporation	171	175	2.3	1,541	1,515	-1.7
Other	229	283	23.6	1,733	1,522	-12.2
Total	472	551	16.7	4,155	3,909	-5.9
Defence	931	1,590	70.8	8,410	9,299	10.6
All other departments and agencies	2,473	2,774	12.2	23,655	24,438	3.3
Total other program expenses	3,876	4,915	26.8	36,220	37,646	3.9
Total program expenses	11,481	12,665	10.3	98,968	103,551	4.6
Public debt charges	2,874	2,639	-8.2	26,828	25,858	-3.6
Total budgetary expenses	14,355	15,304	6.6	125,796	129,409	2.9

Table 4

Budgetary balance and financial source/requirement

	December		April to December	
	2003	2004	2003–04	2004–05
			($ millions)	
Budgetary balance (deficit/surplus)	3,196	280	7,331	10,991
Non-budgetary transactions				
Capital investing activities	-171	-169	-1,424	-1,003
Other investing activities	-232	-46	-1,447	-1,871
Pension and other accounts	326	640	423	-1,845
Other activities				
Accounts payable, receivables, accruals and allowances	-1,562	-1,797	-14,479	-6,151
Foreign exchange activities	1,063	-86	1,965	3,959
Amortization of tangible capital assets	215	510	2,168	2,328
Total other activities	-284	-1,373	-10,346	136
Total non-budgetary transactions	-361	-948	-12,794	-4,583
Net financial source/requirement	2,835	-668	-5,463	6,408

Table 5

Financial source/requirement and net financing activities

	December		April to December	
	2003	2004	2003–04	2004–05
			($ millions)	
Net financial source/requirement	2,835	-668	-5,463	6,408
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-5,136	-7,989	-12,154	-15,911
Treasury bills	-2,650	-3,200	12,200	3,650
Canada Savings Bonds	12	-165	-1,566	-1,868
Other	-80	0	91	-27
Total	-7,854	-11,354	-1,429	-14,155
Foreign currency borrowings	66	-285	-507	-5,543
Total	-7,788	-11,639	-1,936	-19,699
Obligations related to capital leases	-26	77	-18	68
Net change in financing activities	-7,814	-11,562	-1,954	-19,630
Change in cash balance	-4,979	-12,230	-7,417	-13,222

Table 6

Condensed statement of assets and liabilities

	March 31, 2004	December 31, 2004	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	79,964	70,134	-9,830
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	278,780	262,870	-15,911
Treasury bills	113,378	117,028	3,650
Canada Savings Bonds	21,330	19,462	-1,868
Other	3,427	3,400	-27
Subtotal	416,915	402,760	-14,155
Payable in foreign currencies	20,542	14,999	-5,543
Obligations related to capital leases	2,774	2,842	68
Total unmatured debt	440,231	420,601	-19,630
Pension and other accounts			
Public sector pensions	127,560	129,419	1,859
Other employee and veteran future benefits	39,367	39,593	226
Canada Pension Plan (net of securities)	7,483	4,006	-3,477
Other pension and other accounts	6,488	6,035	-453
Total pension and other accounts	180,898	179,053	-1,845
Total interest-bearing debt	621,129	599,654	-21,475
Total liabilities	701,093	669,788	-31,305
Financial assets			
Cash and accounts receivable	70,921	54,020	-16,902
Foreign exchange accounts	44,312	40,353	-3,959
Loans, investments and advances (net of allowances)	29,548	31,419	1,871
Total financial assets	144,781	125,792	-18,990
Net debt	556,311	543,996	-12,316
Non-financial assets	54,817	53,492	-1,325
Federal debt (accumulated deficit)	501,494	490,503	-10,991

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